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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries on its second session

held at the Palais des Nations, Geneva,
from 18 to 22 July 1994

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INTRODUCTION

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries held its second session at the Palais des Nations, Geneva, from 18 to 22 July 1994.

2. In the course of its session, the Standing Committee held five formal plenary meetings (6th - 10th) and five informal meetings.

Opening statements

3. The **Chairman of the Standing Committee at its first session**, in opening the second session, said that in the next few years, a great deal of work would have to be done in services sectors within the context of ongoing work on the GATS. The Standing Committee would serve as a useful forum for support work in that connection, and the participation of developing countries would certainly have to be promoted.

4. The **Chairman** said that, as the Uruguay Round had been concluded and the General Agreement on Trade in Services signed, the Committee now had a clear idea of the multilateral framework within which assistance would be provided to developing countries to increase their participation in world trade in services. UNCTAD could play a very important role in helping developing countries to participate more effectively in the international trading system and to identify their interests and policy options. The work of the Committee could be a major means of achieving this.

5. With regard to promoting transparency, the Committee would be addressing the issue of services statistics and of making available information on measures affecting service trade. Important aspects of strategies for fostering competitive service sectors, including a comparative analysis of the problems and potential of service sectors in various countries, issues related to the temporary movement of persons, recognition of professional qualifications, and the impact of subsidies on service trade would also come up for detailed discussion. While addressing these issues, the Committee should keep in focus the direction provided by the Cartagena Commitment, so that deliberations on specific issues could form parts of a larger, comprehensive understanding of strategies for strengthening service sectors in developing countries and for enhancing their participation in international trade in services. He hoped that the work of the Committee would serve as a concrete means of support from the international community for concerted policy-making in the service sector by developing countries.

6. The **Officer-in-charge of UNCTAD** said that the work of the Standing Committee was a reflection of the Cartagena Commitment, which encouraged the international community to continue support for concerted policy actions of national Governments to strengthen the production and export capacity of their service sector. At its first session, the Standing Committee had agreed upon a detailed work programme for the period up to the next Conference, and at the second executive session of the Trade and Development Board, held in March 1993, a provisional agenda for the second session of the Standing Committee had been approved. The secretariat had prepared background documentation dealing with most items. The work on many of the items of the

work programme would have to take into account the commitments accepted by participants in the GATS. The secretariat had prepared an assessment of the results of the Uruguay Round in the services sector. In its documentation, the secretariat solicited information from members with respect to: (a) the experience at the national level with the application of policy measures aimed at developing competitive service sectors and perceived impediments; (b) measures in other countries which might be impeding access to world markets for the service exports of developing countries; (c) experiences with regional, subregional and interregional cooperation; and (d) studies which were relevant to the other items in the work programme.

7. The secretariat had prepared the background documentation with the provisions of the Cartagena Commitment in mind. Work undertaken under different items of the work programme could form elements of a comprehensive document that would concretize the recommendations of the Commitment, and thus help orient future work in the ar . It was hoped that the documentation prepared under all items would contribute to these objectives, but their attainment would depend entirely on the contribution of member States, and in some cases other international organizations, to the work of the Standing Committee.

Chapter I

PROGRESS REPORT BY THE SECRETARIAT ON THE IMPLEMENTATION OF THE WORK PROGRAMME OF THE STANDING COMMITTEE

(Agenda item 3)

8. For its consideration of agenda item 3, the Standing Committee had before it the following documentation:

> "Progress report by the secretariat on the implementation of the work programme of the Standing Committee: prepared by the UNCTAD secretariat" (TD/B/CN.4/25 and Add.1).

General statements

9. The spokesman for the **European Union** (Germany) said that the general issue on the agenda was the central importance of healthy and strong services sectors to all nations, and specifically to the developing world and the countries in transition to a market economy. The main task of the second session of the Standing Committee was to analyse prospects for developing and strengthening the services sectors and enhancing the trade in services of developing countries. The countries of the European Union were firmly committed to contributing positively to that process, in the spirit of Cartagena.

10. Delegations had received comprehensive documentation for the items to be discussed, but it was to be hoped that the secretariat would in future be able to present all documents in all official languages in accordance with the six-week rule.

11. The General Agreement on Trade in Services (GATS) included provisions concerning the increasing participation of developing countries, which should be facilitated by specific commitments in areas relating, for example, to access to technology on a commercial basis, and by the improvement of their access to distribution channels and information networks and the liberalization of market access in sectors and modes of supply of export interest to them.

12. Promoting transparency in developing countries was a new and difficult task. This particular area therefore deserved special attention, because in most developing countries new services sectors were developing rapidly as an important element of the economy. This trend would be enhanced by the development of technology and the expansion of trade, which was the central objective of the successfully concluded Uruguay Round.

13. He reiterated the commitment of the members of the European Union to strengthening UNCTAD's technical assistance and integrating it into its work, within its mandate and without duplication with other agencies, as set out in the Cartagena Commitment.

14. The representative of the **European Commission** noted that the second session of the Committee was taking place in the wake of an historic event, namely the conclusion of the Uruguay Round negotiations, which included a multilateral legal framework for the progressive liberalization of trade in services. The European Union recognized the particular situation of developing countries with regard to the necessity for transfer of technology on a commercial basis, and it endorsed the conclusions of the report published by UNCTAD in conjunction with the World Bank on the policies necessary to increase the efficiency of the services sector in developing countries.

15. With regard to specific items on the Standing Committee's agenda, the proposal by the UNCTAD secretariat to convene an intergovernmental group of experts to examine ways of enhancing access to and use of information networks and distribution channels (TD/B/CN.4/25) was an interesting one which should be discussed further. Concerning GATS, much of document TD/B/CN.4/25/Add.1 could be endorsed, but the assertion that the major concessions of the negotiations had been made by developing countries in accepting "reduced freedom of action with respect to trade in services" was a curious one, as the GATS framework and Annexes would apply to all members; in that respect, all members had accepted that their freedom of action be curtailed in return for multilateral disciplines. Moreover, to conclude that developing countries had not obtained commitments of major economic value because developed ccuntries' commitments centred on commercial presence and the movement of persons in the form of intracorporate transferees was to overlook the advantages brought to developing countries' services sectors by investment and transfer of technology. Developing countries' schedules placed emphasis on commercial presence rather than on cross-border supply of services in order to ensure that trade directly benefited the domestic economy. Over-emphasizing trade based on the export of cheap labour would be a risk in the long term.

16. With regard to the development of service-trade statistics, should the Committee consider it useful, the European Union would be willing to describe in more detail its own efforts to collate domestic statistics. On the question of a database, in the absence of acceptable statistics on trade in services, a database on measures affecting trade in services might be considered premature. Article III of the GATS comprised a general obligation of transparency in respect of all measures affecting trade in services. Given the requirement to establish "enquiry points" under the GATS and for developed countries to set up "contact points" within the same framework, the European Union had yet to be convinced that the creation of an UNCTAD database on measures affecting trade in services would bring sufficient added-value.

17. The points made in the secretariat's report on a comparative analysis of services sectors in developing countries were broadly acceptable to the European Union. As for the specific studies on subsidies, the movement of natural persons and the recognition and harmonization of qualifications, it might not be helpful for the Committee to become prematurely involved in these areas, where negotiations were ongoing (movement of natural persons) or would soon commence (subsidies, disciplines on qualification requirements and procedures for professional services).

18. The representative of **GATT**, referring to the progress made in the context of the General Agreement on Trade in Services since the conclusion of the

Uruguay Round, said that, in accordance with the decisions adopted at the Marrakesh Ministerial Meeting, the negotiations on maritime transport, basic telecommunications, temporary movement of natural persons and financial services had been extended after the conclusion of the Round. The first meetings on the first three of those topics had taken place recently, and it had been decided that questionnaires would be sent to the negotiating countries on their market structures and regulatory regimes in the areas of basic telecommunications and maritime services. UNCTAD's request for observer status had been approved at these meetings, and the next meetings in these areas were scheduled for October 1994.

19. Concerning financial services, a body would be created in September to oversee negotiations, while the negotiations on temporary movement of natural persons would also resume soon. Negotiations on unfinished issues such as subsidies, safeguards and government procurement would begin after the entry into force of the GATS. Work on professional services would also begin at that time, and it would start with accounting services.

20. The representative of the **Russian Federation** said that services were occupying an increasingly important part in the economic policies of her country, which reflected not only the increasing role of services in the Russian economy, but also the process of liberalization of international trade in services.

21. However, the level of development of various services sectors in the Russian Federation was uneven. On the one hand, traditional service sectors such as tourism were only just emerging, in particular as a result of the privatization process. On the other hand, such services sectors as space communications, television, meteorology, monitoring of the environment, and space launching were rather well developed and sophisticated, which meant, therefore, that the Russian Federation had specific features and interests in terms of the development and competitiveness of its national services sectors. The increasing role of services was also reflected in national statistics, which had not previously included such data. In this context, she recommended that the UNCTAD secretariat should proceed with its efforts to develop a conceptual basis for collecting and processing statistical information on services which would be internationally compatible. She supported further cooperation in the Committee aimed at the elaboration of a common methodology and a database in the area of services. Such a database should include not only measures of a restrictive nature, which could be subject to further trade liberalization under the GATS, but also all measures, including measures of national regulation, referred to in Article IV of the GATS, as well as measures referred to in other articles of that Agreement. The database should also include information on all services sectors, particularly those not covered by the GATS. She emphasized that the Committee's work on definitions of trade in services and classification of services would contribute to the development of services sectors in the developing countries and economies in transition, as such activities were of considerable importance for elaborating the relevant legislation in those countries.

22. The consideration of such issues as movement of natural persons, recognition of professional qualifications and the impact of restrictions on the movement of natural persons providing services on the export capabilities

of developing countries and economies in transition was equally important. She also supported further work by UNCTAD in studying the impact of subsidies on trade in services, as well as in such areas as collection and dissemination of information concerning measures restricting market access of services and service providers, the specificity of development of various services sectors and their impact on national economies, and the impact of trade liberalization in services on national economies and individual services sectors.

23. Despite the fact that Russia had not participated in the Uruguay Round negotiations on trade in services, it had been closely monitoring these negotiations and continued to follow the ongoing process of liberalization of trade in services and its impact on development of national services sectors in other countries. Services were a relatively new phenomenon in the Russian Federation in terms of government policies and regulation, and an active process of formation of market-oriented legislation on many services sectors was going on. In this context, there was a general lack of specialists, and she hoped that the requirements of her country would be taken into account by UNCTAD in the elaboration of its programmes of technical cooperation at the national, regional and interregional levels in this area.

24. The representative of **Mexico** said that the international trading system was at a very important stage in its development, and in that connection he highlighted the importance of trade in services to both developed and developing countries, as well as the need for a parallel liberalization of goods and services.

25. The GATS provided a suitable regulatory framework in which to continue progressive liberalization on a mutual basis, and the sectoral annexes clarified the general obligations to be applied to specific commitments negotiated during the Round. These included some of special interest to developing countries, and therefore UNCTAD's future work should devote special attention to those areas.

26. One of the main areas of focus in the future work of UNCTAD should be professional services, the aim being to ensure the more effective participation of developing countries in discussions on this topic in the World Trade Organization. He also emphasized the importance of establishing a data base and continuing the studies on subsidies to be carried out in collaboration with the appropriate organizations.

27. Finally, he thanked UNCTAD for the technical assistance provided to Mexico in the preparation of its National Study on Services, as well as the technical assistance provided to developing countries during the Uruguay Round.

28. The representative of **Cuba** underlined the importance of UNCTAD's work programme on services for her country, because it had provided a very good background for the development of national policies, as well as helping developing countries to explore different ways and means towards a progressive liberalization of services. She also expressed the support of her country for UNCTAD's technical assistance for developing countries in connection with the issues still pending from the Uruguay Round.

29. The representative of **Egypt** said that the secretariat's progress report (TD/B/CN.4/25/Add.1) provided a basic background to a discussion on the main articles of the General Agreement on Trade in Services, and her country subscribed to the analysis and assessment provided in that document. With reference to paragraph 37 of the document, more attention could be paid in the Committee's future work to increasing the participation of developing countries in the international trading system and on how to make Article IV of GATS more operational. Item 3 (g) of the work programme of the Standing Committee was very relevant in this respect, and an assessment of progressive liberalization should address both national and international issues.

30. With regard to temporary movement of natural persons, she stressed the educational and assisting role of UNCTAD in enhancing the negotiating capacity of developing countries on this issue, and expressed the hope that paragraphs 104-106 of the document on temporary movement (TD/B/CN.4/24) should be given all due attention. With respect to the proposal for an intergovernmental group of experts to address the issue of information networks and distribution channels, her country could go along with the proposal if the Committee so decided. However, Egypt would prefer a small informal group to do the groundwork first, with the results of this being addressed subsequently by the Committee or by an intergovernmental expert group.

31. The representative of **Bangladesh** said that developing countries should not be expected to plunge into a blanket liberalization programme that included sectors where it was not in their interest to liberalize. Even the United States and the European Union, for example, were still not in a position to fully liberalize their agriculture, and discussions on the liberalization of the movement of natural persons continued to face resistance from developed countries in GATT. It was therefore important that developing countries should identify areas where they had a comparative advantage and where liberalization would be of benefit to them and then ask UNCTAD for assistance in those areas.

32. The representative of the **United States of America** said that the documentation which the secretariat had prepared for the Standing Committee's session should be seen as part of UNCTAD's efforts to analyse the outcome of the Uruguay Round and provide information to developing countries on how they could take advantage of the results of the Uruguay Round and of the ongoing negotiations. She welcomed the progress report presented by the secretariat and indicated the particular interest of her country in the issue of services statistics, given the difficulties encountered by several countries in keeping good statistics on the service sector.

33. The representative of **Chile** underlined the crucial importance of the deadline for the implementation of the Final Act of the Uruguay Round, namely 1 January 1995. In this connection, he emphasized that UNCTAD's work programme should be focused on an in-depth study of all the issues under discussion in the ongoing GATS negotiations. This could be extremely useful in helping to overcome the asymmetry in the way in which these issues were being dealt with in the GATS.

34. He supported the suggestion to organize an expert group on access to and use of information networks, highlighting the importance of the issue in the context of the Uruguay Round negotiations. The group should be small initially. He also expressed support for the development of a database on services containing trade measures affecting service trade. The database should be user-friendly, and it should not simply be an exhaustive catalogue of legislation. Finally, he expressed support for UNCTAD's work in the area of subsidies.

35. The representative of **China** said that, for developing countries trying to develop their service sectors, the challenges posed after the conclusion of the Uruguay Round were greater than when the Committee had been established. There was a large gap between the developed and the developing countries in the services sector, and developing countries faced a major handicap. He therefore suggested that the Committee should prepare more studies on policy measures that countries should adopt to strengthen their service sectors. He also drew the attention of the Committee to the ongoing negotiations in GATS, and said that these concerned some areas of vital interest to developing countries. The developing countries lacked experience and knowledge of the issues in these areas, and consequently there was a need to strengthen the capacity of UNCTAD to provide the necessary technical assistance to developing countries in this respect. Finally, he felt that the items before the Committee were too numerous, and the Committee might not be able to address all of them. He suggested that working groups could be established to deal with some of the items, so that the Committee could focus its attention on major policy issues.

36. The spokesman for the **Asian Group** (Indonesia) said that the Asian countries viewed the Committee's work as a continuation of the initiatives taken at Cartagena. The Uruguay Round had now been concluded and the GATS signed. The GATS was an attempt to liberalize services trade with fuller participation of developing countries, but the market access schedules of major trading nations did not fully reflect that intent. A look at the schedules of specific commitments on services showed that, while the sectoral coverage of the schedules of major trading nations was wide, real market access opportunities had been constrained by conditionalities on mode of delivery, market access and national treatment. The situation after the conclusion of the Uruguay Round therefore presented tremendous opportunities and challenges, and UNCTAD could usefully make an assessment of the results of the Uruguay Round in respect of market opportunities in sectors of interest to developing countries. The need for support from the international community for policy actions by developing countries to enhance their service exports and their participation in world markets was more pressing than ever, and the Asian Group supported the proposal to develop a programme of giving preferential access to services exports of developing countries along the lines of the GSP. It hoped that the work of the Committee would be an important means for mobilizing the support required.

37. With respect to promoting transparency, Asian countries would greatly welcome detailed information on efforts being undertaken by countries to improve their service statistics, and on the methodologies being used. They noted with keen interest the efforts made by the UNCTAD secretariat in designing a prototype database to provide easier access to information on

measures affecting service trade, and looked forward to understanding more clearly the modalities for participating in the database and the uses to which it could be put.

38. With respect to a comparative analysis of national and regional experiences in the development of the service sector, Asian countries felt that they could benefit from more information from national Governments. Asian countries also expressed their interest in the experience of other countries with respect to the issue of subsidies in the service sector, and in information on the impact of subsidies on service exports from the region.

39. One of the major areas of interest for Asian countries in the Uruguay Round negotiations on trade in services concerned the temporary movement of natural persons as service suppliers. The Asian countries were concerned about the tightening of regimes for temporary entry in several countries. Although they recognized that such a tightening was often due to political and economic aspects of immigration, it was important that it did not result in impediments to the legitimate temporary mobility of service suppliers. Asian countries were particularly interested in the inclusion of the issue of harmonization and recognition of qualifications in the work programme. They felt that there was a need for a deeper enquiry as to how far this posed problems for developing-country service exports.

40. One area where Asian countries were especially keen on learning from the experiences of other regions was that of regional cooperation in the services sector. Although the formal structures for such cooperation had been in place in Asia for some time, Asian countries had made less progress than many other regions in using them effectively.

41. With regard to technical cooperation it was hoped that this work would be strengthened in accordance with the mandate of the Cartagena Commitment so that it could become a more focused and effective tool for providing assistance to developing countries in fostering more efficient and more competitive service sectors.

42. Finally, the Asian Group agreed that the issue of access to information networks and distribution channels should be considered by experts, who should prepare a report for the next session of the Standing Committee.

43. The spokesman for the **African Group** (Tunisia) said that her Group was aware of the increasing importance of the services sector in international trade and in the creation of employment.

44. In its report TD/B/CN.4/24, the UNCTAD secretariat underlined the strategic role of services in the economy of developing and developed countries. However, the developing countries, contrary to the developed countries, did not benefit from access to technology and to financial resources. Hence, the situation of developing countries remained precarious, except for some Asian countries, and foreign exchange earnings were generated by workers' remittances or by the consumption of services at home (travel, tourism). Furthermore, concessions by African countries in the context of the Uruguay Round related to sensitive sectors for the economies of their countries such as finance, insurance and tourism sectors.

45. The African countries had started to promote the services sector and had begun a policy of progressive privatization of services enterprises, which had until recently been under State monopoly. In that context, their needs concerned financial resources, qualified human resources, access to high technology and a better knowledge of market mechanisms in the area of services.

46. She noted that the African countries needed particular assistance from the international community. This assistance could focus on the modernization of their telecommunications infrastructures, enabling them to be more competitive and receptive to foreign investments.

47. In this context, the UNCTAD report stressed the difficulties faced by developing countries in accessing international markets and increasing their share of international trade in services. These difficulties were mainly due to the restrictive business practices of the transnational corporations. The African Group felt that the Committee should examine these practices in order to enable African enterprises to participate in international trade. The African Group also felt that the Committee should identify the best ways for developing countries to strengthen sectors where they had a comparative advantage, such as movement of qualified persons.

48. The African Group considered that the idea of establishing a database on measures affecting trade in services was interesting. It therefore supported the view that the Committee should adopt a recommendation inviting the secretariat to set up this database and called upon countries to provide the necessary information, in the spirit of Cartagena, on transparency in the area of trade in services.

49. She noted that regional cooperation was important in Africa. As indicated in the note prepared by the secretariat, several areas of subregional cooperation had been set up in Africa. For example, the treaty creating the African Economic Community had come into force recently. The considerable number of regional agreements was an indication of the importance attached to a regional approach to overcoming internal and external difficulties of the African economies.

50. The representative of **India** said that trade in services was important for both developed and developing countries, but as in the case of goods, production of services could be capital-intensive or labour-intensive, depending on factor endowments and technological development, and this meant that developed and developing countries had different interests in the sector. Service industries in developing countries were often nascent or faced barriers to market access and other impediments. Although the GATS represented an attempt at liberalization of service trade with increasing participation of developing countries, the latter's market access opportunities had been constrained by the conditionalities attached to modes of delivery, market access and national treatment. It was hoped that, at the end of the ongoing negotiating process, a larger package of benefits for developing countries would emerge.

51. With regard to future work under the Standing Committee, the creation of a database of laws and regulations governing trade in services in sectors of interest to developing countries was of particular importance. UNCTAD could start some preliminary work on trade flows in services, as quantification of benefits and rational liberalization would depend on an adequate statistical base. There was an urgent need to study the issue of movement of personnel, as this mode of delivery could easily be rendered illusory by the application of regulations on entry and recognition of qualifications. Developing countries could use the information resulting from the study in the ongoing negotiations. This exercise would also be important for discerning inadvertent or deliberate denial of benefits.

52. The issues of preferential treatment and the environment should also be taken up for study. For the former, the possibility of extending preferences similar to those of the GSP scheme to the services sector could be studied, and for the latter a study would be required to analyse the implications of environment aspects surfacing in trade issues for the services exports of developing countries.

53. Finally, work in all these areas needed to be taken up simultaneously and in accordance with an established time schedule so that it would be useful to developing countries in future negotiations and in benefiting from the opportunities made available by the GATS.

54. The representative of **Colombia** said that the conclusion of the GATS agreement was a landmark in the negotiations on services. However, the work was not yet completed, since there were other issues to be resolved, such as the movement of persons, maritime transport, basic telecommunications and financial services. It was also necessary to take into account Article 4 of the GATS on the participation of developing countries in world trade in services. In that connection, as other delegations had emphasized, UNCTAD should support member countries in the analysis of prospects, in the strengthening of negotiating strategies and in the search for comparative advantage.

55. Trade in services was a very new concept for several countries and was still in the course of development. For instance, in Colombia, legislation only defined export trade with regard to goods. Trade in services was thought of by many people as a State function and not as a commercial operation with great potential for the private sector. In this context, he foresaw an important role for UNCTAD in developing the concept of trade in services. This role could be intensified through the promotion of seminars, or through studies on how the services sectors of developed countries had developed. It should also include technical cooperation by experts in the development of legislation in this field. Further work should also be done in respect of the harmonization of statistical data.

56. Finally, trade in services had a great future, and the work of UNCTAD could contribute to the development of the services sectors in developing countries.

Chapter II

PROMOTING TRANSPARENCY

(Agenda item 4)

57. For its consideration of agenda item 4, the Standing Committee had before it the following documentation:

"Database on measures affecting service trade: note by the UNCTAD secretariat" (TD/B/CN.4/26) (agenda item 4 (ii));

"Concept of services trade statistics" (UNCTAD/SDD/SER/1) (background document for agenda item 4 (i)).

58. The **Chief of the Data Management Service**, introducing the background note on the "Concept of services trade statistics" (UNCTAD/SDD/SER/1), which discussed the work of agencies involved with services statistics, and trade in services in particular, and reviewed progress towards a conceptual framework at the international and national levels, highlighted issues such as the inadequacy of statistics on trade in services, the efforts being made to improve statistics, and the implications for statistics of the Uruguay Round definition of trade in services. At the invitation of the Vooburg Group, Eurostat, OECD, GATT, IMF and UNCTAD had addressed conceptual and statistical issues, and UNCTAD had initiated surveys of methods and available data, particularly within the Asian region. GATT and UNCTAD had been working closely with a view to establishing a task force to coordinate ongoing efforts in the area of trade in services statistics. In conclusion, he said that the creation of WTO would give the necessary political impetus to help develop research into a permanent machinery for compilation of needed information.

59. The representative of **GATT** said that he supported the views of the Chief of the Data Management Service of UNCTAD with respect to work on statistics on trade in services. The ultimate objective of the efforts being made was the preparation of a manual in cooperation with other organizations. In its work, the task force referred to by the Chief of the Data Management Service would give priority to needs relating to the GATS.

60. The representative of **Bangladesh** said that the Committee should exercise caution when considering efforts to rationalize requirements on compilation of statistics on trade in services. Not all countries had made commitments on all sectors under the GATS, and the least developed countries had made commitments in only a few selected sectors. If they were required to collect statistics on all sectors, it would place an enormous burden on their resources.

61. The representative of **China** said that the issue of improving service trade statistics was a matter of concern for China. Developing countries had begun participating in services trade rather late, and their share in international service trade was still quite low. As a result, the state of

their statistics in the field of services was also backward. He expressed his country's interest in learning more about the methods used by other countries for the compilation of statistics on services trade, and he stressed that this was an area where technical assistance from UNCTAD would be needed.

62. The representative of **Algeria** said that the joint exercise being undertaken by UNCTAD and GATT towards rationalizing the methods for collecting service trade statistics was of great interest to her country, and Algeria would support efforts being made in this respect. She inquired when the manual on service statistics would become available for use and when the efforts at rationalization would be completed. She also asked whether this process would be undertaken on a progressive or a gradual basis, focusing on methods for statistics in individual sectors.

63. The representative of **Romania** asked for more details on the time-frame of the joint efforts being made by UNCTAD and GATT to produce a manual on service trade statistics. He also felt that UNCTAD should include elements to improve internationally comparable statistics in the area of services in its documentation, as well as in its technical assistance activities.

64. In response to points raised during the discussion, the **Chief of the Data Management Service** said that the special task force on service statistics had been set up jointly by GATT, UNCTAD, OECD, Eurostat and IMF. The first meeting of the task force had been held on 7 and 8 July 1994, and the terms of reference for the task force included a stocktaking of the efforts made by national Governments to improve service statistics and the preparation of a manual on concept definitions and methodologies in this area. A first version of the manual was expected to be circulated by June 1995.

65. A **representative of the UNCTAD secretariat** presented to the Committee the findings of the feasibility study it had carried out on establishing a computerized database to provide information on measures, including laws and regulations, that affected access to world markets of services and service suppliers from developing countries (TD/B/CN.4/26), and demonstrated the prototype database it had developed towards this end. The presentation outlined the approach adopted in the prototype, the major challenges involved, and the major policy options for future work of the Committee in the matter.

66. A database on measures affecting service trade would be a very valuable tool in assisting developing countries to participate more effectively in international trade in services. It would be useful for negotiators in making requests and in assessing offers, for private sector service suppliers in accessing information on the regulatory environment in target markets, for policy-makers in drawing on the experience of other countries in dealing with issues concerning competition and regulation in services, and for academics and researchers in analysing the regulatory situation in the service sector. The prototype database (MAST) included some concepts used in the multilateral negotiations on trade in services, as well as information from a variety of sources.

67. The major challenges concerned the potentially large scope of the database, and the modalities for compiling and updating information. Options for future work in these respects consisted in identifying priority areas for inclusion at the initial stage of work on the database in terms of sectors, countries and modes of delivery. Arrangements would also need to be made for the collection and the updating of data. Furthermore, the possibility of collaboration with regional or international organizations and research institutions which might have structured information on service regulations would also need to be considered.

Chapter III

FOSTERING COMPETITIVE SERVICES SECTORS

(Agenda item 5)

68. For its consideration of agenda item 5, the Standing Committee had before it the following documentation:

"Fostering competitive services sectors - a comparative analysis of services sectors in developing countries: prepared by the UNCTAD secretariat" (TD/B/CN.4/23);

"Temporary movement of persons as service providers: note by the UNCTAD secretariat" (TD/B/CN.4/24);

"Harmonization and recognition of professional qualifications: background note by the UNCTAD secretariat" (UNCTAD/SDD/SER/2);

"The impact of subsidies on trade and services: background note by the UNCTAD secretariat" (UNCTAD/SDD/SER/3);

"Andean integration in services: presentation of the Board of the Cartagena Agreement" (TD/B/CN.4/Misc.5).

69. The **Chief of the Services Section** said that document TD/B/CN.4/23 represented a summary of the experience acquired by UNCTAD in its technical cooperation programmes with developing countries and additional research that it had conducted. There was a need for this analysis to be strengthened by more information on the experience of developing countries in promoting the competitiveness of their services sectors, bearing in mind that the objective of the Committee's work under this item was to develop the necessary elements to identify policy options.

70. He stressed the difficulties involved in obtaining information on subsidies in the services sector. Most of the information used in preparing the background note (UNCTAD/SDD/SER/3) had been derived from sectoral studies dealing with practice in a few countries. The Agreement on Subsidies and Countervailing Measures negotiated in the Uruguay Round provided an agreed definition of a subsidy, but there could be difficulties in applying the definitions, concepts and rules derived for trade in goods to subsidies on services. The secretariat study suggested that a better understanding of the impact could be obtained from case studies dealing with sectors of interest to developing countries.

71. With regard to the treatment of services in regional groupings, different approaches had been adopted to liberalize trade in services within these groupings, and in some cases the progress in this respect had been more rapid than expected. Certain regional and subregional groupings had provided documents regarding recent initiatives to include services more effectively in their integration processes, and the secretariat intended to prepare a background note taking account of the information received from regional and subregional secretariats and members participating in such agreements.

72. UNCTAD's technical assistance on services had been carried out primarily in the context of regional projects which dealt also with trade negotiations, or in the form of national projects, in both cases financed by UNDP. Recently there had been a very successful experience in Africa with a multicountry project financed by other donors (i.e. IDRC of Canada, the Carnegie Corporation and the Government of France). Given the decline in resources available to UNDP, future technical assistance activities by UNCTAD would depend to an increasing extent on such other donors.

73. The representative of **Benin**, presenting the conclusions of a national study carried out in the framework of the UNCTAD Coordinated African Programme of Assistance on Services (CAPAS), said that services in Benin accounted for more than half of GNP, and the share of the sector was growing (46.7 per cent in 1982; 56.4 per cent in 1991). After agriculture, services industries were also the main source of wage and non-wage employment in the structured and informal sectors.

74. Transport accounted for 11 per cent of GDP and for 20 per cent of official employment. Transport services represented crucial infrastructure for other industries, especially for internal and external trade. Road transport was the most important mode, and private operators from the informal sector were dominant. A binational company (Benin and Niger) ran the rail transport system on the line linking Cotonou and Parakou, and while passenger traffic was decreasing, goods traffic was still significant (600,000 tons). Cotonou's harbour had a regional orientation, with extensive facilities that were used by hinterland countries. The traffic (20 million tons) had grown quickly between 1965 and 1987 (+16 per cent), especially with Niger (+25 per cent).

75. Telecommunications represented 95 per cent of post and telecommunications activities (7 billion CFAF). Telecom services would be growing because of the expansion of the network and efforts to improve the services. The new policy of opening the sector and improving the reliability of the network was clear recognition of the importance of information transfer and cheap long-distance contacts for other industries.

76. The private sector was dominant in computer services after government efforts to modernize the sector had collapsed. Computer services were mainly oriented towards training (45 per cent of the turnover), word processing (30 per cent) and hardware sales. Services such as word processing and computer-assisted accounting were developing rapidly in the informal sector, while some services such as maintenance were still underdeveloped.

77. The financial system had collapsed in 1988-1989, and new private institutions had appeared since then in the form of five private banks, specialized financial establishments and informal mutual funds ("Tontines"). The new banks remained reluctant to finance the national economy, long-term credit was scarce, and short-term credit was not distributed proportionately to deposits in banks. Informal mutual funds were successful because of their flexibility and capacity to finance small-scale projects in productive sectors or consumer durables.

78. The financial system remained inadequate to meet the needs of the economy, and efforts should be directed towards the provision of a wider range of services, the development of greater professionalism in credit processing, and firmer control to upgrade management in the specialized financial establishments.

79. Tourism was underdeveloped. Hotel facilities remained limited (3,500 beds) and were located only in the main towns, and most attractions were not linked by adequate transport. Nevertheless, demand was increasing (arrivals had grown by 40 per cent in 1990) for business, congress and leisure tourism.

80. Recommendations had been made with a view to ensuring better integration of services such as transit trade, transport and tourism in the economic policy of the Government.

81. The representative of **Ghana**, presenting the findings of a study of selected service sectors made by the National Research Team of Ghana in consultation with an Inter-Institutional Working Group, said that, in Ghana, the service sector had received relatively less attention from policy-makers, who had focused their development efforts on agriculture and industry. Given the serious deterioration of the economy in the 1970s and early 1980s, policies in the service sector had concentrated mainly on the rehabilitation, maintenance and organization of social infrastructure, especially in transport, communications, health and education.

82. The contribution of the service sector to the economy of Ghana had increased steadily, and since 1992 it had the largest share in the country's GDP, accounting for 45.5 per cent in purchasers' value. However, the service sector was dominated by activities and outputs that were not tradeable. Wholesale and retail services, together with government services, accounted for more than 50 per cent of the total value of services in Ghana.

83. Summarizing the findings of sectoral studies on transportation, telecommunications and informatics, tourism, consultancy and research, and financial services, the representative of Ghana outlined the major developments in these sectors. Improvements to all modes of transportation had been carried out as part of the economic recovery programme, and this had contributed to increased internal and international trade. The setting-up of a satellite earth station in 1989 had been a major advancement in the telecommunications sector in Ghana. Tourism receipts had doubled in the country between 1990 and 1992, and there had been increased investments in this area by the public and the private sector. Ghana had also been trying to develop its consultancy services and to penetrate regional and international markets. Financial services in Ghana had also been expanding, and the liberalization of foreign exchange administration had made it easier for importers to secure foreign exchange and had improved the international payments situation, which had in turn spurred on growth in international trade. However, despite the progress made in the formal financial sector, many Ghanaians continued to be served by informal financial service providers such as money-lenders, credit unions and thrift societies.

84. Recommendations made by the study on selected service sectors in Ghana included greater focus by the Government on the development of the services sector and continued pursuit of liberalization policies in this area, without discouraging domestic production. Incentives should also be provided for investments in the service sector under the Investment Code, and regulations on expatriate employment and repatriation of profits in service firms should be relaxed. Government investment in the service sector should also be adequate, and it should focus on vital sectors such as transport, telecommunications, health and education. There was a pronounced need for the expansion of the telecommunications network in the country. The waterway and railroad network in the country also needed expansion, so that pressure could be taken off the road infrastructure. In order to promote trade in consultancy services, there was a need for harmonization and recognition of professional qualifications and licences among countries in West Africa.

85. Concerted policies for the development of tourism also needed to be formulated, giving priority attention to heritage tourism, ecotourism and ethnotourism. In the financial services sector, the replacement of rural banks by community banks might be a policy option, and the example of Nigeria in this respect might be studied so that a suitable model for Ghana could be evolved. Licensing procedures might be a means for minimizing fraud in the informal financial services sector. Regulations in the service sector in Ghana had to be simplified and streamlined, and efforts would need to be made to increase transparency.

86. Finally, regional cooperation offered a good avenue for the promotion of production and trade in services, and the Economic Community of West African States (ECOWAS) offered a channel for such cooperation.

87. The representative of the **World Health Organization** (WHO), referring to the activities of the Pan-American Health Organization (PAHO), said that UNCTAD and PAHO had jointly carried out a project entitled "International trade in services: Main issues and opportunities for the countries of Latin America and the Caribbean". The objective of the study was to examine the current situation in the region with respect to trade in services, and to define the main issues and provide guidelines for policy-making by health-sector and foreign-trade leaders in the countries studied. The focus had been on different modalities of trade in health services.

88. With regard to comparative advantages in health services in the international market, the Latin American and Caribbean countries had comparative advantages in terms of the low cost of labour, some availability of highly qualified personnel and cultural affinities. However, they were at a disadvantage in such areas as access to medical equipment, level of technological development, managerial knowledge and access to marketing networks.

89. The most important barrier to the export of health services had to do with the reimbursement of treatment costs by insurance companies. Another barrier related to the requirements for consumer protection, including malpractice insurance.

90. The main issues that must be considered in order to come up with guidelines for formulating policies at the national level included the contribution of the exportable health services sector to economic development, the strategic importance of the health services sector for national development, the role of regulation in a liberalized environment, promotion of technological development through private, national and foreign investment, the impact of the mobility of health personnel on exporting and importing countries, the importance of health insurance in international trade in health care services, and guaranteeing adequate care for patients receiving part of their treatment abroad.

91. The most important issue to be examined was the definition of policies and mechanisms to support growing participation by developing countries in international trade in health services. The risks were great, because the absence of adequate policies, mechanisms and regulatory frameworks could be detrimental to the health service coverage of the local population.

92. The representative of **Trinidad and Tobago** said that measures suggested in document TD/B/CN.4/23 could not be undertaken in a period of structural adjustment, as investment in infrastructure, developing human resource capabilities, and increasing access to technological advances all required substantial financial resources. Her country had taken a number of steps to create a favourable climate for attracting foreign investment. However, this experience showed that interest remained highest in areas of economic activity related to the natural resource endowments of her country, while inward investment in the services sector favoured activities related to tourism services. Within the framework of the Uruguay Round, her country had framed its initial commitments on market access and national treatment in a way which would allow the country to develop its services industry in accordance with national development strategies. With respect to the opportunities for exports of services as a result of the Uruguay Round, prospects for improving trade performance in services appeared limited, and paragraphs 70 to 72 of the secretariat report (TD/B/CN.4/23) were relevant in this regard.

93. With regard to future work under the Standing Committee, UNCTAD should undertake a thorough examination of the commitments made in the Uruguay Round and analyse areas where developing countries could reap benefits from them. Assistance might also be given to developing countries in connection with the continuing negotiations on telecommunications, maritime services, movement of natural persons and financial services to ensure that the results would be favourable to the development of the services sector and trading possibilities on the developing world.

94. The representative of **Chile** said that a programme to assist the services sector was in operation in Chile with a view to identifying national service sectors with export potential in order to obtain better access to external markets by means of international negotiations and the development of services export promotion strategies. More specifically, it was intended to: evaluate the contribution of the national services sector in terms of its importance with regard to GNP generation and its potential for development in different regions of the country, by means in part of an analysis of the impact of the services sector on the balance of payments and the identification of main sources of comparative advantage; identify elements for the development of

strategies for export promotion; identify the internal and external difficulties faced by Chilean exporters of services; make an inventory of the regulatory and operational mechanisms interfering with the objectives of the programme; and identify elements for defining strategies to support bilateral or multilateral negotiations.

95. Three service activities were under study, namely the provision of business services, engineering and construction services, and financial services. Concrete actions for the development of these sectors included setting up a unit on services and investment, identifying and strengthening the potential supply of service activities to be negotiated bilaterally with selected countries of destination, undertaking a comparative analysis of international agreements in order to negotiate adequate access to markets, and setting up a database on the restrictions affecting services imports from Chile, based on the UNCTAD prototype. In this respect, there was an urgent need for Chile to obtain access to the MAST software programme presented by the secretariat to the Standing Committee.

96. Other supporting activities under the programme included implementing sectoral projects and studies and promoting seminars and consultancy with public and private agents.

97. The representative of **Cuba** said that the Cuban Government had made considerable progress in understanding the role of services in the economy through the preparation of a diagnosis of the services sector with technical support from UNCTAD. This diagnosis showed the key importance of the sector in terms of the generation of value added and employment. Many service sectors showed great export potential, including tourism, maritime transportation, some professional services, construction and engineering, and health services. Specific policies were now being implemented to foster the development of this export capacity. Adequate legislation and rules would have to be prepared for the services sectors with a view to supporting their competitiveness, and concrete actions were being taken to that end, including preparation of background sectoral studies and organization of seminars and workshops.

98. With regard to tourism, to foster the competitiveness of the sector and to capitalize on its comparative advantages, it was intended to develop a system allowing close monitoring of the performance of the sector. Similar efforts were also being made, in the context of the liberalization of tourism, to strengthen the negotiating capacity of Cuba within the framework of multilateral, regional, subregional and bilateral schemes.

99. The development of the maritime transport sector was facing great difficulties due to the application of unilateral restrictive measures by one country. In spite of the impact of such measures, specific policies were being implemented to develop and strengthen the competitiveness of the sector.

100. The representative of the **World Tourism Organization** (WTO), referring to issues related to tourism and the results of the Uruguay Round Negotiations on Trade in Services, said that WTO had collaborated with the secretariats of UNCTAD and GATT in facilitating the understanding of the implications of the Uruguay Round negotiation process for tourism and had produced a study in this

regard. Although the classification of services under the General Agreement on Trade in Services caused some distortion in perceptions of the tourism sector, the GATS could bring some benefits to the development of the tourism sectors in developing countries. Their relative strength lay in the availability of tourism resources such as competitive labour and tourist attractions; their weakness, however, came from their general absence in the distribution networks that brought tourism consumers.

101. The strategic objective of developing tourist-destination countries should be efficient use of resources and retention of tourism-accrued value added. The GATS would facilitate the attainment of this objective if its clause on "Increasing participation of developing countries" was implemented appropriately. This would require that tourism policy-makers take part in the remainder of the Uruguay Round negotiations, as well as the future rounds of negotiations.

102. Finally, it would be necessary to develop a more comprehensive perception of tourism services, so that such services could be better related to tourism and general economic and social policy objectives. The GATS negotiations had confirmed the importance of tourism services for liberalizing trade in services and for the attainment of the development objectives of developing countries. Tourism policy-makers should therefore be included in the trade negotiating team.

103. The representative of the **Foundation for the Promotion of Computerized Data** (FUINCA) informed the members of the Standing Committee that a cooperation agreement had now been signed between FUINCA and UNCTAD. FUINCA was particularly interested in supporting the work programme of the Standing Committee on Developing Services Sectors, especially regarding the use of and access to networks in developing countries. All the background studies on the topic of electronic information and databases prepared by FUINCA during the last 10 years could be made available. The areas of cooperation where FUINCA could support work programme activities included: working together with UNCTAD in assisting developing countries to establish specific policies and regulations in the area of telecommunications, value-added services and the development of a market-place for information services at the country level; joint implementation with UNCTAD of pilot projects in countries and areas of common interest; exchanging information with and assisting UNCTAD when requested on the preparation of studies in the area of telecommunications; support for UNCTAD in the organization of groups of experts to discuss issues related to use of and access to information networks and channels of distribution; and exploring the possibilities for developing on-the-job training programmes.

104. The representative of the **Latin American Integration Association** (ALADI) said that his organization's activities in the services sector as such had begun in 1986, with the approval of the Buenos Aires Charter, which had established three basic criteria for action in respect of services: regional action should complement national action, the aim being to enhance supply and competitiveness; the services sector should have its own specific regulatory regime; and measures at the regional level should not hinder action in the Uruguay Round negotiations.

105. During the period 1986-1994, a number of lines of action had been developed with the twofold objective of liberalizing the services sector and promoting cooperation aimed at enhancing supply and competitiveness. A number of agreements had been reached or were under negotiation in the areas of transport, tourism and insurance and reinsurance.

106. At present, negotiations were under way on a framework agreement for the liberalization of trade in services. The ultimate aim was the creation of a Latin American common market for services based on the principles of MFN treatment, transparency, full access to markets and national treatment. The framework agreement was expected to cover all aspects of services trade and to provide for liberalization of trade in services within 10-15 years. The draft agreement contained provisions on, inter alia, harmonization of regulations, recognition of professional qualifications, safeguards, consumer protection and export subsidies and incentives, and it established an institutional framework. Finally, the agreement would be compatible with the GATS.

107. The representative of the **Dominican Republic** said that, when the history of the Uruguay Round was written, there would have to be a chapter on the role played by UNCTAD in support of the negotiations on services. As a result of UNCTAD's assistance, developing countries like his had come to understand the role of services in relation to competitivity in general and had acquired useful knowledge and skills for the negotiations.

108. His country was heavily agricultural, but to be competitive farmers needed information, which in turn required the appropriate services. The same was true of the rapidly expanding manufacturing sector, which had to compete in a context of every-decreasing product cycles.

109. Those sectors with the greatest intersectoral impact in terms of improving market access, namely value-added telecommunications and transport, including support services, had been completely liberalized. Tourism, the driving force behind the economy, had also been liberalized to diversify supply and enhance intersectoral links. All this reflected the conviction that liberalization of trade in services allowed the rapid acquisition of competitive advantages in other sectors.

110. This, however, was just the beginning of a complete transformation in the role of the State in trade. The Government had identified those areas where it would be necessary to modernize the regulatory framework, which was a determining factor in attracting foreign investment. Parallel efforts were also being made to improve access to the main foreign markets. The country's exports had recently met with considerable success, but the preferences on which the success had been based were now being eroded, so sectoral strategies were being designed to ensure that enterprises could compete internationally in terms of quality, variety, flexibility and on-time delivery.

111. His country's goal was simply to use the results of the Uruguay Round to improve the market access already achieved by its products. For this, it and other developing countries could count on the support of UNCTAD and on the work of the Committee.

Chapter IV

PROCEEDINGS OF THE CLOSING PLENARY MEETING OF THE SECOND SESSION

A. Adoption of the Committee's recommendations

112. At the 10th (closing) plenary meeting, on 22 July 1994, the **Chairman** introduced draft recommendations (TD/B/CN.4/L.13) based on agreement reached during informal meetings. In doing so, he re-emphasized the importance of services for the economies of all countries and referred to the need for a close working relationship between UNCTAD and WTO.

113. The **Standing Committee** then adopted the draft recommendations, as orally amended (for the text of the recommendations, see annex I).

114. The representative of the **Russian Federation** said that, during the informal discussions on the draft recommendations, his delegation had proposed that, under item 5 of its work programme, the Standing Committee should pursue its work on a number of issues of interest to both developing countries and countries in transition, namely the particularities of the development of individual service sectors and their impact on countries' economies, the particular features of State regulation of individual service sectors, especially in situations of natural monopoly, problems of adapting internal regulation of service sectors of member countries to the changing conditions of world services trade in the wake of the completion of the Uruguay Round, and the impact of different approaches to regulation of service sectors (including demonopolization and privatization) on enterprises at the micro level. This proposal had received support from a number of delegations, but unexpectedly it had also been opposed by a number of delegations, and the resulting compromise did not fully reflect the initial substance. In a spirit of compromise, his delegation had had to agree to the proposed text.

115. This situation gave rise, unfortunately, to a number of general considerations. In discussions on UNCTAD's future and role in the United Nations system, reference was frequently made to the universality of UNCTAD, i.e. its capacity to take account of the interests of all groups of countries. The universality of the United Nations had also been discussed at length in the Secretary-General's report on the Agenda for Development (A/48/935). The existence of a group of countries in transition was now a fact of life, and the need to take their interests into account was affirmed in a number of resolutions of intergovernmental bodies, including the Trade and Development Board and the General Assembly (resolution 48/181).

116. In their economic reforms, the Russian Federation and other countries in transition attached particular importance to the services sectors, and some of the problems they were facing were quite similar to those faced by developing countries. It was therefore only natural that the interests of the countries in transition should be appropriately reflected in the final outcome of the Committee's work.

B. Dates of the third session

117. The spokesperson for the **Asian Group** (Sri Lanka), supported by the spokespersons for the **African Group** (Tunisia) and the **Latin American and Caribbean Group** (Trinidad and Tobago), said that the Standing Committee's third session should be held in April or May 1995, instead of October 1995 as currently scheduled, in order to contribute to the ongoing negotiations on services, which should finish in July 1995.

118. The **Standing Committee** decided to request the Board to consider moving the Committee's third session forward in the UNCTAD calendar of meetings to dates earlier in 1995 than currently planned.

C. Closing statements

119. The **Rapporteur**, introducing the draft report, said that the Committee's session, coming only a few months after the signing of the Final Act of the Uruguay Round, and in particular the GATS, had provided a valuable opportunity to exchange views and map out future work. Many delegations had emphasized the importance of trade in services to all countries, developed and developing alike, and he was confident that the Committee's work would contribute to the efforts of all countries to face up to the challenges and benefit from the opportunities that lay ahead in the services sector.

120. The **Deputy Director of the Services Development and Trade Efficiency Division** said that the secretariat was encouraged by the Committee's responses to its documentation, and it looked forward to continuing its work on these areas, as requested by the Committee. The secretariat would ensure that priority was given to the work recommended by the Committee, and it would try to allocate to the maximum possible extent the manpower and resources necessary for the purpose.

121. The database was an extremely useful tool for supporting the efforts of developing-country service suppliers to access world markets. At the same time, it was a challenging and ambitious task, and the active cooperation of member countries and international organizations would be crucial in compiling information and in making the database operational as soon as possible.

122. The secretariat would also proceed with further in-depth analysis of some of the issues considered by the Committee, including policy options for developing countries in strengthening their services sectors, the impact of subsidies on trade in services, and the issues raised by barriers to the temporary mobility of natural persons as service suppliers. The secretariat would benefit from receiving more information from countries with respect to their national policies in the services sector, as well as with respect to the issue of subsidies in services and to professional organizations involved in processes of harmonization and recognition of professional qualifications. As requested by the Committee, the secretariat would prepare questionnaires to assist countries in providing such information and would distribute them within the time-frame suggested by the Committee. An attempt would also be made to compile more information on regional and subregional cooperation in the area of services and on the experience of liberalization in service trade within the framework of regional and subregional groupings.

123. Finally, the work undertaken by the Committee would be a meaningful way of enhancing the capacity of developing countries to strengthen their services sectors, participate more effectively in international trade in services and benefit from the specific commitments to liberalization made in multilateral agreements on services.

124. The **Chairman** said that the recommendations adopted by the Committee were substantive and would undoubtedly produce practical results in terms of expanding the knowledge of member States and enhancing their participation in international trade in services. He welcomed the impetus given to work on the database, which would no doubt serve as an important tool in future negotiations and analyses.

Chapter V

ORGANIZATIONAL MATTERS

A. Opening of the session

125. The second session of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries was opened by Mr. Haron bin Siraj (Malaysia), Chairman of the Standing Committee at its first session.

B. Election of officers

(Agenda item 1)

126. At the opening plenary of its second session, on 18 July 1994, the Standing Committee elected its bureau as follows:

Chairman:	Mr. Gonzalo Gutierrez	(Peru)
Vice-Chairmen:	Mr. Youri Afanassiev	(Russian Federation)
	Mr. Peter Bauer	(Germany)
	Mrs. Rafla Mrabet	(Tunisia)
	Mr. Renato Salazar	(Colombia)
	Mr. Manbir Singh	(India)
Rapporteur:	Mr. Zafer Baltacioglu	(Turkey)

C. Adoption of the agenda and organization of work

(Agenda item 2)

127. At its opening plenary, the Standing Committee adopted the provisional agenda for its second session (TD/B/CN.4/22/Rev.1), as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Progress report by the secretariat on the implementation of the work programme of the Standing Committee

4. Promoting transparency

   Progress report:

   (i) Development of a conceptual framework for the collation and compilation of internationally comparable statistics (Work programme, item 2 (a))

(ii) The collection and dissemination of information on measures, including laws and regulations, affecting the access of services and service suppliers to world markets, including consideration of the possibility of a computerized database (Work programme, item 2 (b))

5. Fostering competitive services sectors

Comparative analysis:

- A comparative analysis of services sectors in developing countries (Work programme, item 3 (a))

Specific studies:

(i) The impact of subsidies on trade in services, especially on the exports of developing countries (Work programme, item 3 (d))

(ii) Temporary movement of persons as services suppliers (Work programme, item 3 (h))

(iii) Analysis of ongoing processes of recognition and harmonization of qualifications (Work programme, item 3 (i))

(vi) Regional, subregional and interregional cooperation on services (Work programme, paragraph 3 (j))

6. Technical cooperation

- Identification of areas where technical cooperation should be strengthened

7. Provisional agenda for the third session of the Standing Committee

8. Other business

9. Adoption of the report of the Standing Committee to the Trade and Development Board.

D. Provisional agenda for the third session of the Standing Committee

(Agenda item 7)

128. At the closing plenary meeting of its second session, on 22 July 1994, the Standing Committee approved the draft provisional agenda for its third session (for the provisional agenda as approved, see annex II).

E. Adoption of the report of the Standing Committee to the Trade and Development Board

(Agenda item 9)

129. Also at the closing plenary meeting of its second session, on 22 July 1994, the Standing Committee adopted its draft report (TD/B/CN.4/L.12 and Add.1), subject to amendments to individual statements to be received from delegations, and authorized the Rapporteur to complete the text of the report as appropriate to reflect the proceedings of the closing plenary.

Annex I

RECOMMENDATIONS ADOPTED BY THE STANDING COMMITTEE
AT ITS SECOND SESSION

1. After detailed discussions as well as presentations on national and regional experiences under agenda items 3, 4 and 5, the Standing Committee expressed its appreciation of the high quality of the documentation prepared by the UNCTAD secretariat, and recommended its wider dissemination. In accordance with the Work Programme, the Standing Committee, bearing in mind the work of and in cooperation with other international organizations, agreed on the following:

Promoting transparency

2. Under item 2(a) of the Work Programme, the Committee requested the UNCTAD secretariat to continue to provide support for member countries, particularly for developing countries and interested countries in transition, in improving their capacity to compile and maintain internationally comparable statistics on the service sectors of interest to them, through studies that provide information on developments in this area at the international level, especially with respect to concepts, definitions and methodologies.

3. Under item 2(b) of the Work Programme, the Committee agreed that the proposed database on measures affecting service trade is a very valuable tool for supporting the efforts made by developing countries to participate more effectively in international trade in services, and recognized the importance and the urgency of its early establishment. The Committee requested the UNCTAD secretariat to have a computerized database on measures affecting service trade fully implemented as soon as possible, and urged the member countries to collaborate actively with the secretariat in this effort.

(i) The purpose of the database will be to facilitate the access of services and services suppliers from developing countries to world markets by providing structured information on measures, including laws and regulations, that affect such access.

(ii) The database will focus on sectors of interest to services suppliers from developing countries, and will cover all measures affecting their service exports.

(iii) Given the large scope of the database, priority will be given to the inclusion of information on measures relating to those sectors, modes of supply and markets that are of major interest to developing countries, including those which are currently the subject of negotiations in multilateral or regional forums.

(iv) The secretariat should seek the collaboration of relevant regional or international organizations and institutions in the technical design of the database and in compiling information for the database.

(v) Member countries wishing to collaborate in the development of the database are requested to make appropriate arrangements with the secretariat. In this context, the secretariat should assist countries on request in the implementation and possible adaptation of the database for use at the national level.

Fostering competitive services sectors

4. The Committee recalled that the objective of the Committee's work under item 3 of the Work Programme is to identify policy options for developing countries to strengthen their domestic service sectors and to make them more efficient and competitive, including the problems of adaptation of domestic regulation of services sectors in the context of liberalization. The Committee expressed its appreciation of the substantive statements made by some members on their national experience. The analysis of this issue requires in-depth coverage of relevant policy measures affecting trade in services used by member countries and of their experience with the implementation of such policies. To assist members in this, the Committee requested the secretariat to prepare and distribute a questionnaire to member countries between now and the end of 1994.

5. The Committee agreed that the secretariat should continue its work aimed at assessing the impact of subsidies on trade in services, especially on sectors of interest to developing countries. In this context, the Committee requested the secretariat to:

(i) Carry out sector-specific studies to obtain further insight into the forms of subsidization, their extent and their impact on trade in services; and

(ii) Obtain more information on subsidizing practices, by means including the circulation of questionnaires on the different types of current practices.

The Committee requested member countries to assist the secretariat by providing information on subsidies, as well as relevant publications and studies that would assist the secretariat in this area.

6. Recognizing that, in a large number of cases, temporary movement of persons is an important mode through which developing countries can participate in international trade in services, the Committee requested that the secretariat focus its analysis on the issues identified in document TD/B/CN.4/24 with respect to the temporary movement of persons, bearing in mind the clear distinction between temporary and permanent stay. To this end, it should continue to focus on barriers to trade in services carried out through the temporary movement of natural persons and the regulations that affect this, with a view to identifying the problems and opportunities faced by developing countries. The analysis should cover, inter alia:

(i) Identification of specific entry requirements and criteria used by countries in regulating temporary entry (e.g. visas, work permits, business visitors);

(ii) How economic needs tests and similar conditions could be made more stable and predictable so as to protect the integrity of specific commitments in this area;

(iii) How to enhance the ability of developing countries to take advantage of the specific commitments with respect to this mode of supply and to identify specific mechanisms that could be developed to this end;

(iv) Collection of information on the experience of countries in organizing enterprises to take advantage of the specific commitments with respect to the movement of natural persons.

7. The Committee invited the UNCTAD secretariat to assist countries which so request to make use of national studies, as well as those conducted by UNCTAD, in drawing up and implementing their policies in the area of services.

8. The Committee agreed that the secretariat, in close consultation with GATT/WTO and other relevant organizations, including private bodies, with a view to ensuring complementarity should compile information on processes of recognition and harmonization of professional qualifications with a view to identify more specifically the problems facing developing countries. It urged member countries to assist the secretariat in this by providing information on relevant professional associations in their countries.

9. With respect to regional, subregional and interregional cooperation on services, the usefulness of the submissions from members and observers from regional secretariats was recognized, and the UNCTAD secretariat was requested to contact regional secretariats to obtain more information on provisions for and experience in liberalizing trade in services on a regional and subregional basis.

Technical cooperation

10. The important contribution of the technical assistance provided by UNCTAD within available resources was recognized, and note was taken of the reduction in the capacity of UNDP to support such activities. It was decided to request the Trade and Development Board to invite the international donor community to provide resources and to allow UNCTAD to establish a trust fund to assist developing countries in strengthening the competitiveness of their services sectors, as well as their negotiating capacity in present and future negotiations on trade in services.

Other business

11. The Standing Committee welcomed the intention of the Secretary-General of UNCTAD to organize an expert group to examine ways of enhancing access to and use of information networks and distribution channels.

Annex II

PROVISIONAL AGENDA FOR THE THIRD SESSION OF THE STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS

1. Election of officers

2. Adoption of the agenda and the organization of work

3. Ways of enhancing access to and use of information networks and distribution channels

4. Impact of progressive liberalization and of service imports on the development of competitive services sectors, and the difficulties faced by developing countries which prevent them from increasing their participation in world trade in services

5. Progress report by the secretariat on the implementation of the work programme of the Standing Committee

6. Other business

7. Adoption of the report of the Standing Committee to the Trade and Development Board

Annex III

ATTENDANCE 1/

1. The following States members of UNCTAD were represented at the session:

Algeria
Argentina
Austria
Bangladesh
Bolivia
Brazil
Cameroon
Chile
China
Colombia
Costa Rica
Cuba
Czech Republic
Denmark
Ecuador
Egypt
France
Germany
Ghana
Greece
India
Indonesia
Iraq
Italy
Jamaica
Japan
Lebanon
Liberia
Libyan Arab Jamahiriya
Madagascar
Malaysia
Mexico
Morocco
Nepal
Netherlands
New Zealand
Nigeria
Pakistan
Paraguay
Peru
Philippines
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Slovakia
Spain
Sri Lanka
Switzerland
Trinidad and Tobago
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Zambia
Zimbabwe

2. The following other States members of UNCTAD were represented as observers at the session:

Benin
Dominica
Dominican Republic
Panama
Portugual
Ukraine

1/ For the list of participants, see TD/B/CN.4/INF.7.

3. The following specialized and related agencies were represented at the session:

International Labour Organisation
World Health Organization
International Monetary Fund
United Nations Industrial Development Organization

The General Agreement on Tariffs and Trade was represented at the session.

The World Tourism Organization was also represented at the session.

4. The following intergovernmental organizations were represented at the session:

European Community
Latin American Integration Association
League of Arab States
Organization of African Unity

5. The following non-governmental organizations were represented at the session:

World Federation of United Nations Associations

6. The following panellist participated in the session:

Mr. José Manuel Morán, President, Fundación para el Fomento de la Información Automatizada (FUINCA), Madrid

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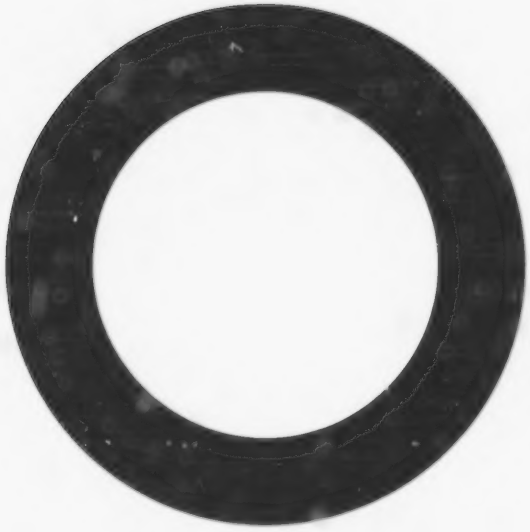

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Standing Committee on Poverty Alleviation on its second session

held at the Palais des Nations, Geneva
from 25 to 29 July 1994

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INTRODUCTION

1. The Standing Committee on Poverty Alleviation held its second session at the Palais des Nations, Geneva, from 25 to 29 July 1994.

2. In the course of its session, the Standing Committee held five formal plenary meetings (7th-11th plenaries) and seven informal meetings.

Opening statement

3. The **Officer-in-Charge of UNCTAD** said that the topics which the Standing Committee on Poverty Alleviation was to discuss were of the utmost importance at a time when poverty continued to be a pervasive phenomenon. Indeed, despite overall continued global improvements in life expectancy, education and average consumption per capita, there were over one billion people who were too poor to satisfy their basic human requirements. Even under fairly optimistic assumptions about global economic recovery during the rest of the decade, it was likely that the numbers of these absolute poor would be higher by the turn of the century.

4. The problem of poverty in recent years had assumed increasingly complex dimensions as a result of local conflicts in various parts of the world that had given rise to social disintegration and rapid growth in conjunctural poverty. Conjunctural poverty had also grown under conditions of greater reliance on market mechanisms and among the labour force engaged in the provision of non-tradeables.

5. With regard to the agenda of the Standing Committee, apart from the attention delegates should devote to policy-related aspects of chronic and conjunctural poverty, the second session had the task of identifying a set of poverty-related issues and recommendations to propose for consideration at the World Summit for Social Development. Indeed, with the perpetuation of poverty rooted in problems of economic growth as well as distribution, the Standing Committee could make a valuable contribution to the Summit for Social Development by proposing policy recommendations that focused on the nexus between trade and poverty alleviation.

6. In view of the broadly-based work on poverty alleviation already carried out by the Standing Committee and the fact that poverty alleviation was increasingly being taken up elsewhere in the United Nations system, he proposed that the Standing Committee concentrate during the period leading up to its third session on a reduced number of substantive issues which would be focused on the relationship between poverty alleviation and trade and other related development concerns for which UNCTAD had primary responsibility within the United Nations system. In this way the work of UNCTAD's Standing Committee on Poverty Alleviation would usefully complement work being done elsewhere in the United Nations system on the multifaceted issue of poverty alleviation and reduction. Bearing in mind that the international community was rightfully turning its attention once again to the imperatives of development, including such social concerns as population, women and human settlements, UNCTAD should likewise give greater salience in its work to the social dimensions of trade and development.

Chapter I

EXCHANGE OF EXPERIENCES ON POVERTY REDUCTION IMPACTS OF SOCIAL FUNDS AND SAFETY NETS, INCLUDING THE MOBILIZATION OF DOMESTIC AND EXTERNAL RESOURCES FOR POVERTY ALLEVIATION

EFFECTS ON POVERTY ALLEVIATION OF STRUCTURAL ADJUSTMENT PROGRAMMES, JOB CREATION POLICIES, AND MEANS FOR THE PARTICIPATION OF SMALL-SCALE AND MICRO-ENTERPRISES IN INTERNATIONAL TRADE

SOCIAL MOBILIZATION AND ORGANIZATION OF THE POOR

CONTRIBUTION TO THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT

(Agenda items 3, 4, 5 and 6)

A. General debate

7. Introducing the substantive items of the agenda, the **Director of the Division for Economic Cooperation among Developing Countries and Special Programmes** said that the task before the second session of the Standing Committee was a challenging one. The agenda contained three important substantive items, two of which had already been discussed by an UNCTAD intergovernmental group of experts and in a preparatory workshop in Tunis and therefore required only political guidance from the Standing Committee on how best to follow up in terms of making the policy recommendations operational. She then gave a brief description of the substantive content and conclusions of the main documents before the Standing Committee.

8. Turning to item 6 of the agenda, she drew the attention of the Standing Committee to UNCTAD's contribution to the World Social Summit. The three core items to be addressed by the Summit related to the issues of poverty reduction and job creation for the poor. The meeting of the Standing Committee provided a timely opportunity for delegations to reflect on these important issues, and they could, if they so wished, agree on an UNCTAD input to the Summit in the form of a plan of action that could contribute to the success of the Summit. With regard to the work programme for the next session of the Standing Committee, it would be useful for Governments to build on the work already accomplished by the Standing Committee and agree on two substantive issues within the competence of UNCTAD that could figure in the provisional agenda of the third session.

9. The representative of **Chile** said that the eradication of poverty constituted a high priority for the Chilean Government. His Government was convinced that, in order to achieve social and political stability, which was a condition for achieving economic stability, the poor had to be reintegrated into the production process. The National Council for the Eradication of Poverty, which had been established by his Government in May 1994, aimed at solving poverty problems through a process of consultation between economic, political and social actors with a view to devising relevant poverty alleviation policies in a consensual manner.

10. With regard to the three themes covered by item 4 of the agenda, namely the effects on poverty alleviation of structural adjustment programmes, job

creation policies and means for the participation of small-scale and micro-enterprises in international trade, he said that his delegation was of the opinion that the UNCTAD secretariat should concentrate its efforts on the third subject, small-scale and micro-enterprises, which played an important role in employment creation and therefore constituted an important means of integrating the poor into the production system. In many countries, these enterprises were confronted with severe problems because of the limited financial resources at their disposal and because of the precariousness of their commercial activities. In this regard, the promotion of such enterprises in Chile had been positive, and future programmes of this nature would be wider in scope. He then drew the attention of the Committee to an ILO publication entitled "Towards Full Employment" which was to be submitted as a contribution to the World Summit for Social Development.

11. On the subject of structural adjustment, the secretariat documentation did not provide a sufficiently balanced presentation of the positive as well as the negative aspects of the effects of structural adjustment programmes on the economies of developing nations. His delegation agreed with a recent study by the Economic Commission for Latin America and the Caribbean (ECLAC) that the promotion of exports, trade liberalization, tight fiscal and monetary policies and diminished State intervention in the economic sphere were the policies towards which Latin American economies should be heading during the 1990s. He concluded by saying that, lately, the Chilean Government authorities had been working on the elaboration of a number of high-impact development policies which were based on an integrated approach and designed to bring about, simultaneously, poverty reduction and alleviation, employment generation and greater social integration.

12. The representative of **Zambia** said that the expertise of UNCTAD in the process of articulating poverty issues such as those contained in the agenda should not be underestimated. Although poverty eradication was first and foremost a national concern, international cooperation in arriving at an integrated solution for eradicating and alleviating poverty was equally important. Although structural adjustment programmes and trade liberalization reforms had been used as instruments to enhance economic growth and alleviate poverty, the experience of many developing countries indicated that poverty had actually worsened in certain cases.

13. The representative of **Bangladesh** said that adjustment strategies had frequently failed to halt economic decline and bring about improvements in the welfare of the population. Consequently, structural adjustment programmes should be redesigned in order to take into account social and human concerns and not to impose unreasonable conditionalities on adjusting countries. The high and increasing incidence of poverty in the developing world could undermine social stability in a number of countries and, as a result, produce economic refugees looking for opportunities in the developed countries. Developed countries might therefore consider modifying the objectives of their aid policies and giving poverty reduction the priority it deserved.

14. In terms of the mobilization of domestic resources for development, he emphasized the role of specialized banks which offered credit facilities to the poor. One example was the Grameen Bank in Bangladesh, which provided loans to the poor without requiring any collateral. He then stressed the

importance of the growth potential of low-income producers, given the high marginal savings rates and low capital/output ratios of the poor.

15. Social safety nets played an important role in reducing poverty. Owing to the scarcity of resources and the magnitude of poverty, however, there was a need for targeting and priority determination. Adequate funding support needed to be provided for safety nets, which should be maintained on a sustained basis.

16. Finally, with regard to the question of recommendations to the Social Summit, he suggested that international agencies and national Governments might explore the possibility of setting targets for poverty alleviation, including the allocation of resources for anti-poverty programmes, within a specified time-frame. This approach might bear more fruit than loosely formulated and coordinated poverty alleviation approaches.

17. The representative of **Indonesia**, referring to the objectives of his Government in the area of poverty alleviation, said that, within the framework of the 6th Development Programme, which had been adopted in April 1994, Indonesia had set itself the ambitious task of bringing the poverty rate down from 13.7 per cent to 6 per cent of the population by the end of the 6th Programme and eliminating poverty completely within 10 years. To achieve these goals, sustained economic growth was indispensable and should be based at this point in time on labour-intensive and resource-oriented industries, and later on more skill-intensive and technologically advanced industries. Four elements ought to be emphasized: rapid, labour-intensive economic growth; fiscal and monetary policies favourable to the poor; focus on human resources development; and targeted assistance to poor villages and families.

18. Over time, poverty would become less general and more concentrated in specific areas or groups, thus requiring differentiated approaches to cope with it. To this end, innovative programmes had been launched in Indonesia, the most important of them being the Inpres Desa Tertinggal (ITD), or "less-developed villages" programme. Under this programme, loans would be disbursed to village communities as working capital for small enterprises and activities selected by the poor villagers themselves. The villages would also have access to technical expertise through a programme of facilitators, who, in addition to providing direct assistance, would be responsible for upgrading the entrepreneurial capacities of the local people. The purpose of the programme would be to empower poor people to help themselves and to involve them in activities which they were familiar with and which were closely related to the local culture. As a result, the likelihood of success in improving the living standards of the poor was relatively high.

19. The representative of **Mexico** said that, although the General Assembly of the United Nations had set the eradication of poverty as a priority objective for the 1990s, poverty had worsened, partly because world output growth had been inferior to population growth for the past three years. Persisting and increased poverty had led to the further marginalization of the poor and poorest segments of the population, hence rendering the task of alleviating poverty onerous for developing countries. Increased poverty affected social and political stability, not only in the affected countries but throughout the world, and it impeded social cohesion and prevented adequate protection of the environment.

20. His delegation believed that the Standing Committee should strive to identify the obstacles faced by the developing countries in the implementation of their poverty alleviation strategies, as well as the appropriate policies which could be adopted and the action which should be taken by the international community and the United Nations system in order to eradicate poverty. The analyses in the documents presented under items 4 and 5 were of particular importance in this regard, especially as concerns the consequences of structural adjustment programmes. Now that it was recognized that economic growth and a low level of inflation were not sufficient conditions for the development, progress and welfare of society as a whole, it was necessary, when elaborating new policies and structural adjustment programmes, to emphasize considerations of a social nature and take into account the medium- and long-term social costs of adjustment policies. Emphasis should also be put on the peculiarities of the economic, political and social situation of loan-receiving countries and the importance of an enhanced dialogue between recipient countries, donors and financial institutions. Moreover, a favourable external environment in which international trade re-emerged as an engine of economic growth was indispensable if the standards of living of the poor populations of the developing countries were to be raised. He concluded his statement by advocating policies to promote popular participation as a strategy for alleviating poverty. In this respect, he recognized the essential role played by non-governmental and popular organizations and called upon more research to be undertaken and studies to be prepared on this issue.

21. The representative of **Switzerland** said that the documentation prepared by the secretariat was balanced, open and frank. Poverty posed a serious threat to sustainable human development and it was not, therefore, a marginal phenomenon that could be dealt with through charity. Based on these considerations, his Government was of the view that an effective approach to poverty alleviation should be more political and not just based on economic considerations. Empowering the poor should facilitate their access to productive assets and integrate them into society. In this context, empowerment entailed participation of the poor in the formulation of projects and initiatives, political dialogue and strengthening of grass-roots organizations that fostered self-help.

22. With regard to the World Social Summit, his Government was open to the UNDP proposal concerning a "20-20 matching" formula whereby 20 per cent of ODA and 20 per cent of local funds could be devoted to priority social projects for the poor.

23. Concerning item 3 of the agenda, he drew the attention of the Standing Committee to the agreed conclusions of the Intergovernmental Group of Experts on Poverty Alleviation on the issue of appropriate policies for the mobilization of domestic resources, including reform of fiscal policies with a view to raising public funds for poverty alleviation. In future, donor countries should be innovative in seeking new forms for their external aid. By way of example, Switzerland bought back the commercial debt of poor and heavily indebted countries. Thanks to the alleviation of their debt, the beneficiary countries were in a position to release domestic resources and allocate them to a counterpart fund in local currency to finance poverty alleviation programmes. On item 4 of the agenda, he said that he shared the view presented in document TD/B/CN.2/10 according to which pragmatic and flexible adjustment solutions should be designed for each country according to

its economic and social conditions. Such an approach would have the added advantage of taking into account the interests of the most disadvantaged segments of society.

24. On the issue of small-scale and micro-enterprises in international trade, his delegation attached great importance to this item on the agenda and, in order to have the issue examined thoroughly by a group of experts, his Government was providing financial support for the organization of the workshop to be held in Chile in November 1994.

25. The spokesman for the **European Union** (Germany) said that he welcomed the more or less general consensus to the effect that poverty reduction was the central task of development policy. In the perception of member countries of the European Union, five points were particularly relevant in the design and implementation of poverty alleviation policies. First, development should be people-centred, the poor being the primary goal of development efforts. Improving infrastructure or building an efficient economy were important means to that end, but not ends in themselves. Second, political will on the part of all concerned, namely Governments in the North and in the South, international organizations, NGOs and the poor themselves, was indispensable for efforts at poverty alleviation to make progress. Third, as poverty was essentially a structural problem, it should be addressed through adequate means - the implementation of structural reforms, the creation of a supportive national and international environment, and the building-up of a civil society based on democratic principles which incorporated disadvantaged groups and left ample scope for individual initiative. Fourth, participation at all levels was imperative, from grass-root participation in project design and implementation to the achievement of a national consensus among all social groups upon the appropriate design for structural reforms. Fifth, promotion of sustainable, broadly based labour-intensive growth, encouraging the poor to participate and contribute, and taking into account social issues, was a fundamental aspect of a successful poverty alleviation strategy.

26. With regard to the recommendations for further research made by the Intergovernmental Group of Experts on Poverty Alleviation, he expressed doubts about the possibility of generalizing on the effects and costs of various forms of assistance and economic strategies for reaching target groups.

27. Structural adjustment programmes should be designed for poverty alleviation from the outset and should aim to do more than merely cushion any unwanted social impact. People's standard of living should be considered as the main objective and not as a secondary aim. Structural adjustment programmes should be included in development strategies that were aimed at poverty alleviation and should incorporate measures to alleviate the adverse effects of adjustment on the poor. In this context, the successful experiences of some countries in combining structural adjustment with poverty alleviation merited further study with a view to the possible replication of the methods in other countries.

28. Economic growth should be so designed as to create substantial new job opportunities at the same time. In this respect, he endorsed the suggestion to include micro and small enterprises in policy considerations, since they

had a considerable potential for absorbing labour. Although the opportunities for this sector lay mainly in local markets, their export efforts should be encouraged as well.

29. With regard to its future work, the Standing Committee should focus on the subjects that were particularly relevant to UNCTAD's expertise and steer away from those questions that were already being dealt with in a competent manner in other international bodies. For this reason it would be advisable to look at the connection between trade and poverty, thus making the contribution to the World Social Summit one which would draw upon UNCTAD's areas of competence.

30. The representative of **China** said that the recommendations contained in document TD/B/CN.2/10 were constructive. What was important was that structural adjustment and poverty alleviation policies should be selected in the light of the specific conditions of each country. The basic approach must be to tap local productive forces and develop the local economy, while encouraging wealthier regions to assist poorer ones.

31. In China, government at all levels was trying to alleviate poverty by increasing employment and income, particularly through construction and infrastructure projects. The poor were also being encouraged to seek employment in wealthier areas. The emphasis in poverty alleviation was moving away from relief towards projects designed to enhance the participation of the poor themselves in the development of their own areas.

32. While encouraging the poor to participate in domestic markets, the Chinese Government was also encouraging the poor to participate in international trade by producing products tradeable on international markets. In this regard, preferential treatment should be given to the products of the poor in terms of market access. The UNCTAD secretariat shall provide some analysis on such cases for the next session of the Standing Committee.

33. China had made great progress in poverty alleviation, with the number of poor falling from 250 million to 80 million. The task of alleviating the poverty of the remaining 80 million was clearly an arduous one, but his Government hoped that all basic needs would be met by the end of the century.

34. The representative of **Tunisia** said that the causes of poverty were fourfold: natural causes (affecting namely the elderly, orphans, widows and the handicapped); social causes (concerning the lack of basic needs such as health care, drinking water, electricity, etc.); economic causes (resulting from a lack of access to services such as education, land, productive assets in general and credit); and political causes (relating to lack of democracy and non-existence of human rights).

35. The fight against the scourge of poverty in Tunisia had been launched on the basis of three principles: (i) the prevention of poverty; (ii) social protection aimed at alleviating poverty; and (iii) integration through the development of infrastructures and the promotion of employment- and income-generating small- and medium-sized enterprises. His delegation believed that preventing poverty was more important than putting forward proposals for alleviating or eradicating it, and three programmes had been devised in Tunisia for the specific purpose of preventing poverty: a

programme aimed at social integration, a school-action programme (designed to enable children from poor households to attend school), and a food programme that reached 340,000 pupils. In addition to these specific programmes, Tunisia set aside 20 per cent of its GDP for social transfers in the fields of education, health, transport and food allowances which alone accounted for US$ 320 million each year.

36. With regard to the principle of social protection, the Tunisian Government had provided annual financial assistance to poor households, including the handicapped, the elderly, widows and schoolchildren. Regarding the third principle of integrating the poor into the productive system, adequate social and economic infrastructures had been constructed; incentives, financial or other, had been supplied for small enterprises (a cost-effective procedure, since this type of enterprise was able to function with very little financial input), social services had been provided in the regions where the poor were concentrated, and loans had been granted to young people. Moreover, funds had been devoted to the promotion of handicrafts, training and follow-up action with former trainees.

37. He recognized the important role played by non-governmental organizations, both local or international. They were in fact indispensable elements of development because they operated outside the usual bureaucratic network and built up direct contacts with citizens. Finally, he called upon the UNCTAD secretariat to continue its in-depth study of small-scale and micro-enterprises as a means of alleviating poverty.

38. The representative of **Morocco** drew the attention of the Standing Committee to a fact which he felt was often overlooked in the debate on poverty alleviation and reduction. When high population growth was combined with sizeable public expenditure on basic social services, absorbing scarce budgetary resources that would otherwise go to investment, it was usually the poor who were deprived of the benefits of growth and therefore denied the opportunity to escape the poverty trap. He reported on his Government's attempt to deal with these challenges and shared his country's experience in formulating an integrated strategy that could deal with the challenges of meeting the basic needs of the poor, as well as providing for their social, political and economic integration as full actors in society. His country's new development strategy had become operational early in 1994, and his delegation would report on progress achieved in the strategy at the next session of the Standing Committee and other appropriate forums.

39. The representative of the **Philippines** said that nothing eroded human dignity more than deprivation and poverty, and the most pressing issue confronting the international community today was therefore how to reduce and eventually eradicate poverty. Although in many countries in Asia growth had raised per capita incomes substantially and reduced the incidence of poverty to pockets in rural areas, poverty was still on the rise in economies that remained stagnant or were declining. Governments must intervene and introduce suitable measures where markets did not work effectively if the participation of the poor in markets and economic affairs was to be achieved. Measures could include agrarian reform, progressive taxation, and spending on social services and infrastructure in depressed regions, and they should be aimed at facilitating the access of the most disadvantaged and marginalized sectors of society to productive activities. He also outlined his Government's strategy

aimed at reducing and alleviating poverty through a variety of national, regional and communal programmes that involved the participation of the poor. Turning to the external environment, he said that the debt-servicing burden of the Philippines continued to exert competing claims on resources for economic and human development, and natural disasters had also taken a heavy toll. He reiterated that, despite some success in alleviating poverty in the rural and urban areas, that success could only be sustained if the international community were to complement domestic efforts through the provision of financial and technical support.

40. The representative of **Pakistan** emphasized that poverty alleviation was essential for political and economic stability of individual countries. While national efforts continued to be of utmost importance in this respect, "good governance" at the international level became increasingly important as well. This held true particularly when ODA levels were below the agreed-upon targets for developed countries and when a number of trade barriers were preventing developing countries from making more use of their competitive advantage and exporting more products to developed countries with a view to improving the living standards of their poor. Under these circumstances, a priority to be tackled at the World Social Summit should be the setting of medium-term and long-term targets for the eventual eradication of poverty.

41. The representative of **the Islamic Republic of Iran**, referring mainly to item 4 of the agenda and more specifically to the relationship between international trade and poverty alleviation, said that many LDCs had been making considerable efforts to alleviate poverty and had elaborated policies aimed at enhancing their economies and mobilizing existing resources for job and wealth creation in rural areas, despite bottlenecks arising from insufficient infrastructure and the absence of an environment favourable to such activities. They had been spending significant amounts on investment and yet had often failed to meet their targets in terms of GDP growth and development. They had also largely failed to optimize the gains possible from their commercial activities with their neighbours and with their partners in international trade. This failure had been largely due to the fact that they were unfamiliar with foreign markets and could not benefit from the advantages of economies of scale.

42. Poor countries were handicapped in their development not only by a lack of resources, but also by a paucity of expertise and managerial skills. For that reason, it might be advisable for central and local governments in developing countries to undergo administrative restructuring that would provide a solid ground for revitalized socio-economic activities bringing about a redistribution of wealth and leading to an alleviation of poverty. Developing countries, in particular the least developed countries, should not depend solely on charity donations, food aid and other donations in kind from surplus nations to compensate for the lack of financial resources. Aid from developed countries should take the form of technical assistance projects which targeted large proportions of the population in poverty-stricken communities. Such projects would provide the poor with a wide range of economic activities which would ultimately lead to an era of sustained development, as had been experienced by a number of poor countries in the past. Some developing countries had benefited from technical assistance, particularly from export-oriented economies, and had learned how to

commercialize their products. This should be regarded as essential when attempting to link international trade with poverty alleviation.

43. Finally, he proposed sending to the World Summit for Social Development a package of recommendations on technical assistance, not only for poverty alleviation purposes but also with the objective of contributing to the increase in the level of global international trade and investment.

44. The representative of **Japan** said that the philosophy which guided his Government's policies in assisting developing countries to fight poverty was based on a differentiated approach to bilateral cooperation that combined various forms of assistance such as grant aid, technical assistance, commercial finance, and other funds such as export credits. The guiding principle of his country's assistance programmes was "graduation" based on the level of economic development of the country in question. While his Government provided assistance to developing countries for poverty alleviation on the basis of humanitarian considerations, he felt that poverty should not be treated as just a social problem but more as a developmental one. Social policies could contribute to alleviating poverty, but they did not necessarily eradicate the root causes of poverty. Assistance directed at the socio-economic infrastructure of developing countries could strengthen their self-help development efforts by creating a growth-favourable environment. He concluded by saying that ODA should be designed to allow developing countries to attain development levels that could foster self-help and eventually become sustainable.

45. The representative of **Nigeria** said that the poverty crisis had reached such a level in certain regions of the world that it could no longer be ignored and therefore must be examined from pragmatic and operational angles. An important issue of immediate concern to his country was that of international trade and access to markets. According to a World Bank study, 50 per cent reduction in trade tariffs would increase developing countries' exports by US$ 50 billion a year, only slightly less than the annual US$ 54 billion that they received in aid. External debt service payments for many countries had continued to divert resources from basic social services such as health care, education, clean water, shelter, etc. He concluded by appealing to UNCTAD to coordinate its work with other agencies like FAO, WHO, UNICEF and the World Bank in order to avoid duplication of effort.

46. The representative of the **Afro-Asian Rural Reconstruction Organization** (AARRO) said that the rural poor suffered from limited assets, environmental vulnerability, and lack of access to infrastructure, public services and productive employment. Women, children and the elderly were among the worst hit.

47. Despite their considerable scope, anti-poverty programmes in some countries had failed to reach the beneficiaries properly. The poor were often not involved in any of the activities they were expected to benefit from and, hence, did not have much commitment to them. Although poverty alleviation programmes were often run by highly qualified professionals, those professionals usually had little knowledge about the actual problems or about the potential and capacities of the poor to improve their conditions if properly encouraged and supported by adequate facilities. What was actually needed was not welfare but the mobilization of the poor based on an

understanding of their felt needs and respect for their capabilities and willingness to improve their conditions through their own efforts. Self-help groups and organizations were effective in alleviating poverty.

48. Experience showed that a development strategy which relied exclusively on industrial progress at the expense of agricultural growth and to environment could not be sustained over a long period. Although achieving a higher rate of growth was an important objective, the growth had to be balanced structurally and ecologically, and the fruits of growth had to be distributed equitably.

49. Strategies for the sustained advancement of the poor must include a number of elements. First, human resource development needed investment to reduce illiteracy rates, impart vocational training, and provide health care and other services. Due consideration should also be given to the preservation of the natural environment. Second, investments in infrastructural facilities in rural areas were essential for providing better employment opportunities for reducing rural-urban migration, in particular among the young. Third, it was also desirable to encourage people to set up their own cottage enterprises and handicrafts units which utilized locally available materials and talents. In this context, improved access to credit, without the need for collateral, might be helpful. Savings and thrift organizations, cooperatives, rural banks or mobile banks often had positive records in this respect. Fourth, governments, while focusing on the creation of an enabling macro-economic environment supportive of economic growth, should also promote more equality in income distribution within the country concerned.

50. AARRO was actively involved in a number of projects related to poverty alleviation in rural areas, including the creation of the World Institute of Poverty Eradication in Malaysia. He strongly supported the idea of creating regional information clearing houses on poverty alleviation as forums for the exchange of views and for the development of anti-poverty strategies. Finally, the poverty alleviation projects of the various international agencies must be properly coordinated.

51. The representative of **India** reminded delegations of the consensus achieved in Cartagena on the importance of international cooperation in the eradication of poverty for peace, stability and prosperity around the world. Since the benefits of economic growth could take time to trickle down, it was essential to address directly various manifestations of poverty, such as hunger, illiteracy, disease, unemployment and the absence of shelter.

52. Since patterns of poverty varied considerably from country to country, there could not be uniform responses to poverty alleviation. India put emphasis on employment generation and the creation of extensive social infrastructure. Effective participation of the poor themselves, from the formulatory stage of projects to the resulting self-sustainability of poverty alleviation programmes, was also encouraged.

53. He called for the creation of an enabling international environment, including the realization of the agreed commitment to 0.7 per cent of GNP as ODA and the adoption of measures encouraging the flow of private capital and foreign direct investment to developing countries, such as the transfer of

technologies and resources on concessional terms. One major obstacle in the external environment was barriers to market access for products in which developing countries had a competitive edge. This situation frustrated efforts to expand labour-intensive sectors which could help in generating self-sustaining employment.

54. Structural adjustment programmes, if carried out in the right external and internal environment, could result in sustained growth in GNP. In the short run, however, they produced cuts in public expenditure and subsidies, higher unemployment and reductions in wages. It was therefore essential to concentrate efforts on mitigating those adverse effects so that adjustment reforms could have a human face.

55. Finally, UNCTAD's contribution to the World Summit for Social Development should centre on the areas covered by its mandate, thus allowing it to draw on its specific expertise. UNCTAD could in particular provide worthwhile recommendations on ways of alleviating poverty through international trade, especially through increased exports of labour-intensive products.

56. The representative of the **Asian Group** (Nepal) said that, with regard to agenda item 3, his Group felt that the mobilization of external resources was of crucial importance for the implementation of poverty alleviation programmes. Unfortunately, the supply of aid had decelerated, as mentioned in the secretariat's report on item 3. He urged donors to fulfil the internationally agreed aid targets, since this would accelerate the flow of resources to poverty alleviation programmes. Donors might wish to consider the adoption of poverty reduction targets as one of the primary objectives of their aid policy.

57. With regard to item 4, Asian countries had used their own home-grown formulas of structural adjustment to good effect. Some countries had been able to expand their export manufactures and successfully combine high and sustained rates of growth with poverty reduction and macroeconomic stability. Through appropriate sequencing and phasing of adjustment policies, these countries had largely managed to avoid some of the pitfalls often associated with orthodox structural adjustment policies. As regards job creation policies to benefit the poor, some countries in the region maintained large-scale public works emergency employment programmes that paid cash rather than in-kind wages, thus not disrupting local food supplies and markets. Some other countries had also helped create self-employment jobs through the provision of working capital and investment credit schemes targeted at the poor in rural and urban areas.

58. On the issue of small-scale enterprises in international trade, his Group felt that the case study on the small-scale sector contained in document TD/B/CN.2/10 usefully illustrated how the small-scale sector could become competitive in international trade, including trade among developing countries. He agreed that the international trade aspect of small-scale enterprises that employed many of the poor remained a generally neglected area of enquiry, and his Group therefore supported the organization of a workshop on international trade and the alleviation of poverty.

59. Turning to the contribution to be made by the Standing Committee to the World Summit for Social development, in view of the many analyses and

recommendations already available to the various preparatory meetings, his Group felt that the recommendations emanating from the Standing Committee should focus on poverty reduction in relation to trade, resource mobilization, and other areas such as debt relief, ODA and market access. This would enable the Standing Committee to make a contribution to the Social Summit in conformity with UNCTAD's area of comparative advantage in the United Nations system. He also emphasized that priority should be given to the implementation of poverty alleviation programmes in the least developed countries and other developing countries where poverty was most acute.

60. The representative of **Mongolia** said that one of the major social problems facing his country today was poverty. Around 27 per cent of the Mongolian population lived below the poverty line, and the situation would get worse unless urgent measures were taken immediately. His Government, with the assistance of UNDP, had recently initiated an anti-poverty programme. The programme was an integral component of the socio-economic development strategy of Mongolia and covered income and employment generation, poverty reduction among women and in rural areas, human resources development, and the establishment of a social safety net. The programme would be implemented in two phases: 1994-1996 and 1997-2000. His Government was committed to protecting the most vulnerable groups of the population, as shown by its undertaking at the Tokyo donor meeting held in September 1993. To this end, Mongolia had sought to promote the role of NGOs in increasing the participation of the poor in the implementation of anti-poverty programmes.

61. The representative of **China**, referring to the workshop on the role of small- and medium-sized enterprises in the context of poverty alleviation, to be held in Chile in November 1994, asked how interested member States could participate.

62. The **Director of the Division for Economic Cooperation among Developing Countries and Special Programmes** said that the Workshop, which would last three days, was being organized by UNCTAD, financed by Switzerland, the Netherlands and UNDP, and hosted by Chile. The UNCTAD secretariat would invite a number of experts, selected on a regional basis, and it would finance the participation of those experts. If any government wished to send an expert at its own cost, it was welcome to do so, and it should contact the UNCTAD secretariat in connection with the arrangements.

B. Chairman's summary of informal discussions 1/

63. The Standing Committee on Poverty Alleviation, at its second session, discussed a wide range of issues, as reflected in the agenda.

64. There was a lively and extended discussion of the issues of structural adjustment and small-scale enterprises during the informal debate on agenda item 4. The discussion reflected the importance which delegations attach to those issues, as well as the fact that they had not previously been discussed in preparatory meetings or workshops leading up to the holding of

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1/ At its 11th (closing) plenary meeting, on 29 July 1994, the Standing Committee took note of the Chairman's summary and decided to incorporate it into the text of its report. The summary is contained in paragraphs 63-89.

the second session of the Standing Committee. While delegations also attached importance to the issue of job-creation policies, the general sense of the Standing Committee was that substantive discussions of that issue in the United Nations system should be reserved to meetings of the International Labour Organisation (ILO). There was also some discussion of the issue of social mobilization and organization of the poor during the informal debate on agenda item 5.

65. The prevailing view of delegations was that orthodox structural adjustment programmes, in the short and medium term, have negatively affected the poor in most developing countries, imposing hardships on those groups with respect to employment, purchasing power and the provision of social services. One delegation suggested that certain sections of the community, especially the rural poor in sub-Saharan Africa, have benefited from structural adjustment.

66. It was acknowledged that without a favourable international environment, it is difficult for structural adjustment programmes to avoid reducing the standards of living of the poor in the adjusting countries concerned. Both national and international efforts should be combined. Fresh inflows of financial resources were considered essential in enabling adjusting countries to (a) mitigate the negative impact of adjustment programmes on the poor and (b) compensate adversely affected population groups for the social costs sustained during adjustment.

67. Some delegations, on the other hand, emphasized that structural adjustment policies had reduced inflation, rationalized fiscal and monetary practices, balanced the domestic and external account and, most importantly, facilitated the renewal of economic growth in a number of developing countries. In some instances, these achievements led to an eventual reduction of poverty in the countries concerned.

68. While recognizing that the achievement of growth is the primary goal of a successful adjustment programme, many delegations were of the view that the human dimension of adjustment ought to be emphasized more. In accordance with this view, the poor should obtain a bigger share of the benefits of growth and of the outcome of adjustment.

69. There was a general consensus that adjustment policy packages ought to be adapted to the specific economic, political and social circumstances of each adjusting country.

70. Given the consensus that many orthodox structural adjustment programmes have short-term costs for the poor, there was general agreement that structural adjustment instruments in their present form should be reconsidered and their design improved in such ways as to minimize their social costs and adverse impact on the poor. The process of adjustment, it was felt, should have a "human face". The design of macro and meso policies ought to include provisions that take into account not only the chronic poor but also the "new poor" created by the adjustment process: impoverished middle classes, the conjunctural poor, the unemployed, and so forth. Along with growth-oriented objectives, therefore, objectives of poverty reduction ought to be included in the basic design of adjustment policies.

71. With respect to safety nets and social security schemes, it was felt that such schemes ought to be more targeted than is often the case on the most vulnerable of the poor in compensating them for the losses in welfare that they have experienced as a result of structural adjustment policies.

72. It was suggested that the poor, either through their own organizations or representatives, have a potentially important consultative and decision-making role to play when agreements on structural adjustment programmes are discussed. In that way popular acceptance of the eventual adjustment package is likely to be enhanced.

73. The views of delegations differed as to a proper balance between the role of market forces and the State during adjustment. Some delegations were in favour of reducing the role of the State in the economic sphere, while others advocated that the State should intervene more actively in the economy.

74. There was a convergence of views on the need for adjustment programmes to create a favourable environment for private initiative. Given that structural adjustment programmes have often resulted in job retrenchments, delegations were of the view that the role of the informal sector and small-scale enterprises in absorbing the unemployed should be supported and encouraged.

75. A general consensus emerged from the debate regarding the importance of small and micro-enterprises for the creation of employment, a more equitable distribution of income in favour of underprivileged strata of population and, hence, the alleviation of poverty.

76. In order to increase the contribution of small and micro-enterprises to the alleviation of poverty, Governments might consider pursuing active labour policies with a view to encouraging the setting up of small and micro-enterprises among the most affected groups of the population, namely (a) workers retrenched as a result of the public-sector restructuring related to SAPs, and (b) young people, often graduates of various types of schools and looking for their first job. Special attention should also be given to projects designed for rural areas, with the aim of increasing the self-sufficiency and, hence, the standard of living of rural families.

77. The view was expressed that the informal sector in the urban areas and the "people's economy" in the rural zones play a crucial role in absorbing the unemployed poor. Governmental support should therefore be provided to these sectors, with the aim of bringing these activities into the formal sector.

78. As regards the opportunities of small and micro-enterprises in international trade, two opinions emerged. One view was that the scope of these activities is oriented mainly at domestic markets and the needs of the local population. This was particularly the case of micro-enterprises.

79. The second view affirmed that, according to certain national experiences, the small sector both in industry and in agriculture can make a significant contribution to the country's export record, as in cash crops or handicrafts.

80. Following the second line of reasoning, small and micro-enterprises have characteristics which give them reasonable prospects for success in

international trade, namely low labour costs, generally lower capital requirements, greater flexibility and innovative capacity, and the ability to produce small quantities of products.

81. However, the export efforts of these enterprises are hindered by lower productivity, financial weakness and difficulty in producing up to international standards. In this context, specific measures are necessary to increase the competitiveness of the small-scale sector in international trade, namely: (a) improved access to credit, including the provision of loans adapted to the needs of the small-scale sector; (b) provision of infrastructure, including equipped industrial sites for clustered groupings of small entrepreneurs; (c) enhanced professional training (delivered locally or with the assistance of donors); (d) a regulatory environment that is friendly to the creation of small-scale activities, such as simplified procedures for the setting-up and running of enterprises or clear land tenure rights and rules in the case of agricultural activities.

82. Most of the small enterprises and virtually all micro-enterprises are unable to penetrate export markets on their own. Three options were therefore suggested to facilitate the access of these enterprises to international markets: (a) to export indirectly, i.e. to establish vertical linkages (through subcontracting) with larger enterprises which would then export the final product; (b) for associations of producers in clusters of small enterprises to assume export responsibilities on behalf of their members; and (c) to accede to foreign markets through specialized export companies.

83. A favourable external environment is an important prerequisite for maximizing the contribution of international trade to poverty alleviation and, consequently, for making people see the value of free trade in improving their welfare. In this context, three main points were put forward: (a) the importance of improved access to developed markets for labour-intensive products originating from developing countries, including through giving them greater GSP benefits; (b) the importance of external assistance in increasing the competitivity of the small sector in developing countries, e.g. through training programmes and the upgrading of technological know-how; and (c) the importance of identifying innovative approaches for raising funds for small-scale sector enhancement programmes, including debt conversion schemes to mobilize domestic resources which could be used for investment in the small-scale sector.

84. Owing to the fact that there seems to be considerable untapped export potential within the small-scale sector, and due to the lack of available studies on the issue, the delegates welcomed and supported the proposal by the UNCTAD secretariat to organize a workshop which would examine the topic in greater detail and contribute to a fruitful exchange of national experiences related to the means of enhancing the participation of small and micro-enterprises in international trade.

85. Self-help implies the involvement of the poor in identifying and deciding on their own needs and solutions to local problems. Local associations are flexible and use simple methods of management which make them highly suitable for the social integration of the poor.

86. Programmes intended for the benefit of the poor that are carried out without their involvement risk creating a sense of dependency by not making use of their self-help capacity.

87. Governments can strengthen the self-reliance of the poor by delegating programme responsibilities to the community associations concerned.

88. A balance needs to be struck between entrusting the poor with more responsibility for carrying out programmes of benefit to them and the need for direct government intervention.

89. It was felt that NGOs played an important role in helping the poor implement local programmes that were entrusted to management by community groups. It was also pointed out that some NGOs operate in a top-down fashion without listening carefully to the desires of the poor.

C. Agreed conclusions

90. The Standing Committee on Poverty Alleviation agreed on recommendations to submit as its contribution to the World Summit for Social Development, as contained in annex I to this report.

91. The Standing Committee took note of the report of the Intergovernmental Group of Experts on Poverty Alleviation (TD/B/CN.2/8). The Standing Committee decided to merge the Group's two recommendations with item 3 (a) of the work programme of the Standing Committee and include them in the provisional agenda for the third session of the Standing Committee.

92. The Standing Committee also took note of the report of the Workshop on Social Mobilization and Organization of the Poor (TD/B/CN.2/7) and decided to bring it to the attention of Governments and relevant international organizations.

D. Closing statements

93. The spokesman for the **Asian Group** (Nepal) said that the issues before the Standing Committee were extremely complex and involved social, economic, political and psychological dimensions. However, the Committee had been able to agree on a contribution to the World Summit for Social Development, and that was a great achievement.

94. The spokesman for the **European Union** (Germany), referring to the Committee's contribution to the World Social Summit, said that, while he regretted slightly that basic poverty alleviation approaches had been somewhat overshadowed by more general trade issues, he nevertheless considered that UNCTAD had made an important input to the Social Summit.

95. The representative of **Germany** said the Standing Committee discussed poverty alleviation at such an abstract level that there was a danger that its work would not have any direct impact on the poor. At its future sessions, the Committee might wish to consider structuring its discussions along more operational lines, in particular by discussing special cases, inviting more experts and working in small groups.

96. The representative of **China** said that poverty alleviation was the responsibility not only of Governments but also of the international community. It was a long-term, difficult task, and it was to be hoped that UNCTAD would contribute to achieving positive results.

97. The spokesman for the **African Group** (Algeria) said that poverty alleviation was a challenge for all, and the results of the Committee's work represented recognition of the efforts made by member States and by UNCTAD as an institution. In discussions on poverty, trade aspects were often neglected, and therefore the Standing Committee's contribution to the World Social Summit, though modest, was important. She hoped that, at the Committee's third session, the discussions would lead to concerted action at the international level.

98. The representative of **Tunisia** said that the Committee could be proud of its work on the role of trade in poverty alleviation. It had achieved significant results, and it had adopted clear and pragmatic recommendations to which all countries, rich and poor alike, had contributed.

99. The **Officer-in-Charge of UNCTAD** said that poverty alleviation was a crucial issue in development policy, and its importance had been emphasized by member States at UNCTAD VIII and in the Trade and Development Board. The Standing Committee's second session had made it possible to identify the questions which would be considered at the third session, which would be the last one before UNCTAD IX and which would have before it the important task of recommending to the Conference a practical and effective programme of work on poverty alleviation, bearing in mind that 1996 would also be the International Year for the Eradication of Poverty. In that connection, as had emerged from the Committee's discussions, the adoption of appropriate and equitable domestic policies was a precondition for poverty alleviation, but in the absence of adequate financial resources it was not sufficient. A favourable international economic situation was also essential, and UNCTAD must make recommendations in that respect that would be useful for the International Year.

100. The **Chairman** said that the Standing Committee had achieved its main aims at its second session. Firstly, it had made recommendations to the World Social Summit, and since those recommendations corresponded to UNCTAD's areas of comparative advantage, they should represent a valuable input to the Summit. Secondly, the Standing Committee had refocused its work programme, building on UNCTAD's specific capacities and avoiding overlap with other United Nations agencies. Finally, the Standing Committee had had a rich debate, particularly with respect to small-scale and micro-enterprises, which had made an important initial contribution to the field and to refocusing the work of the Standing Committee on the relationship between poverty alleviation and trade and other related development concerns for which UNCTAD had primary responsibility within the United Nations system.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

101. The second session of the Standing Committee on Poverty Alleviation was opened by Mr. C. Fortin, Officer-in-Charge of UNCTAD.

B. Election of officers
(Agenda item 1)

102. At the opening plenary meeting of its second session, on 25 July 1994, the Standing Committee elected its Bureau, as follows:

Chairman:	Mr. Markus Kummer	(Switzerland)
Vice-Chairmen:	Mrs. Taous Feroukhi	(Algeria)
	Mr. Banmali Prasad Lacoul	(Nepal)
	Mr. Alejandro Rogers	(Chile)
	Mr. Peter Bauer	(Germany)
	Mr. Miroslav Pise	(Czech Republic)
Rapporteur:	Mr. Gomi Tharaka Senadhira	(Sri Lanka)

C. Adoption of the agenda and organization of work
(Agenda item 2)

103. Also at the opening plenary meeting of its second session, the Standing Committee adopted its provisional agenda (TD/B/CN.2/6), as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Exchange of experiences on poverty reduction impacts of social funds and safety nets, including the mobilization of domestic and external resources for poverty alleviation

4. Effects on poverty alleviation of structural adjustment programmes, job creation policies, and means for the participation of small-scale and micro-enterprises in international trade

5. Social mobilization and organization of the poor

6. Contribution to the World Summit for Social Development

7. Provisional agenda for the third session of the Standing Committee

8. Other business

9. Adoption of the report of the Standing Committee to the Trade and Development Board.

D. Provisional agenda for the third session of the Standing Committee
(Agenda item 7)

104. At its 11th (closing) plenary meeting, on 29 July 1994, the Standing Committee approved the draft provisional agenda for its third session (TD/B/CN.2/L.5). (For the provisional agenda, see annex II.)

E. Adoption of the report of the Standing Committee to the Trade and Development Board
(Agenda item 9)

105. At its 11th (closing) plenary meeting, on 29 July 1994, the Standing Committee adopted its draft report (TD/B/CN.2/L.4 and Add.1), subject to amendments to individual statements received from delegations, and authorized the Rapporteur to complete the text as appropriate to reflect the proceedings of the closing plenary.

Annex I

CONTRIBUTION TO THE PREPARATORY COMMITTEE OF THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT 1/

The Standing Committee on Poverty Alleviation, in accordance with its mandate and with reference to the reduction and elimination of poverty that is one of the core issues of the World Summit for Social Development, proposes as its contribution to the World Summit recommendations directed at the nexus between international trade, development and poverty reduction.

The Standing Committee recommends that the following additions be incorporated in the finalized version of the draft declaration and programme of action of the World Summit for Social Development (A/CONF.166/PC/L.13):

Institutional recommendation

The Standing Committee requests that, in paragraph 3 of the draft programme of action, mention of the eighth session of the United Nations Conference on Trade and Development, which met during the period 8-25 February 1992, be inserted after point (iv), and that in paragraph 12 the words "A new partnership for development:" be inserted before the words "the Cartagena Commitment".

Substantive issues and recommendations

Recalling paragraph 18 of "A New Partnership for Development: The Cartagena Commitment", the Standing Committee on Poverty Alleviation requests that the five sets of issues and recommendations adopted below be incorporated in Part II: Reduction and elimination of widespread poverty, paragraphs 31-85 of General Assembly document A/CONF.166/PC/L.13, "Outcome of the World Summit for Social Development: Draft declaration and draft programme of action".

1. Increased participation in international trade can provide a major stimulus for both economic growth and poverty reduction. In this respect, the Uruguay Round agreements represent a step forward, as they provide for clear, equitable, transparent and predictable multilateral rules for the trading environment. If implemented faithfully in letter and spirit, they can provide export opportunities to developing countries. Expanded trading opportunities can be an important vehicle for reducing poverty on a sustainable and lasting basis in developing countries, provided that they are accompanied by employment-friendly patterns of growth.

Policies to enable developing countries to take advantage of expanded international trading opportunities should combine sound macroeconomic structures and appropriate government actions. An open, transparent, predictable and supportive multilateral trading system is an essential condition to achieve domestic progress in the alleviation of poverty. Developed countries have a major responsibility, in the context of growing

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1/ Adopted by the Standing Committee at its 11th plenary, on 29 July 1994 (see para. 90 above).

interdependence, to create and sustain a global economic environment favourable to accelerated and sustainable development in developing countries. This should be complemented by improved market access and enhanced technology transfer.

2. Some countries may be faced with serious problems arising from the Uruguay Round agreements as they attempt to adjust their economic structures to the new circumstances. The erosion of margins in the GSP and the higher prices of food imports resulting from the new disciplines in the field of subsidies pose substantial adaptation problems for a number of developing countries, in particular the least developed countries. However, some of these concerns are addressed in the Marrakesh decisions on measures concerning the possible negative effects of the reform programme on least developed and net food-importing developing countries and on measures in favour of least developed countries.

Improvement of the GSP scheme, aimed at giving an employment-friendly orientation in terms of giving preferences for labour-intensive products, as well as further progress in the opening of developed country markets, is desirable if developing countries, particularly the least developed countries, are to reap the full benefit from the new trade environment. Increased trade liberalization in the developed countries could be especially helpful if it induced vertical diversification in the developing countries in the processing of primary export products.

3. Poverty can be reduced through employment generation by the increased participation of small-scale manufacturing enterprises and agricultural smallholders in international trade. These activities are characterized partly by substantial backward linkages, e.g. subcontracting arrangements, that are primary sources of jobs for the poor.

Governments have an important role to play by creating the necessary macroeconomic framework and providing an enabling environment favouring the economic participation of the poor, enhancing capacity-building efforts, providing adequate infrastructure and improving human capital. Trade regimes which are biased against exports should be reformed. Governments should also, as far as small-scale enterprises are concerned, support research and development, training, quality control, contacts with potential foreign buyers and the promotion of international networks among enterprises in order to encourage the exchange of experiences and lateral learning. With respect to smallholders, Governments should ensure access to essential inputs and quality control of graded exports. International cooperation is required to strengthen market access for such micro-enterprises.

4. The burden of debt and debt service constitutes one of the major obstacles to accelerated growth and to the eradication of poverty. Despite often painful adjustment efforts and some recent upturn in resources flows, substantial external financial resources are required by developing countries. In view of the prevailing stringent budgetary conditions resulting from the debt overhang, developing countries need external assistance to develop their export potential. Official development assistance is important for human resources development and other aspects of development that facilitate the participation of the poor in international trade.

A practical and innovative approach for donors to assist developing countries to develop their export potential under conditions of high external indebtedness could be to consider debt relief by using debt conversion schemes to mobilize domestic resources. Under the proposed approach, a certain proportion of the counterpart funds could be utilized in support of small-scale enterprises and smallholders engaged in production for export. An improved dialogue between donor and recipient countries would help to ensure more efficient and effective strategies for promoting and achieving the agreed-upon objectives, including meeting internationally recognized ODA targets.

5. Economic growth and poverty alleviation depend on appropriate domestic policies and favourable conditions in the world economy. Adjustment has been and remains necessary for recovering from exogenous shocks, as well as for continuously adapting to changing patterns of world demand and competitiveness, technological change and trade. In the aftermath of the debt crisis of the 1980s, significant social costs have arisen from the structural adjustment programmes that many developing countries have adopted. In the light of the general experience to date, there is a growing consensus that structural adjustment programmes should be flexible and contain measures which alleviate adverse social costs and that matching resources are needed for the success of such measures.

Structural adjustment programmes should be differentiated in accordance with each country's circumstances. The instruments forming part of structural adjustment programmes should take account of the essential components of the fight against poverty and strive to alleviate the negative repercussions on the poor. The ultimate purpose of adjustment ought to be to attack the underlying structural causes of poverty. Structural adjustment programmes should be accompanied by appropriate external support.

Annex II

PROVISIONAL AGENDA FOR THE THIRD SESSION OF THE STANDING COMMITTEE

1. Election of officers

2. Adoption of the agenda and organization of work

3. Analysis of the effects on the livelihood of the poor of elimination of trade barriers, increased competitiveness, trade flows, external shocks, diversification of exports, particularly of labour-intensive goods, and market access for such goods

4. Analysis of the effectiveness and impact of international development cooperation for poverty alleviation, including the identification of impediments, innovative measures and effective strategies for reaching the poor

5. Other business

6. Adoption of the report of the Standing Committee on its third session to the Trade and Development Board.

Annex III

ATTENDANCE 1/

1. The following States members of UNCTAD were represented at the session:

Algeria
Argentina
Austria
Bangladesh
Belgium
Bolivia
Brazil
Cameroon
Chile
China
Colombia
Cuba
Czech Republic
Democratic People's Republic of Korea
Denmark
Egypt
France
Germany
Greece
Honduras
India
Indonesia
Iran (Islamic Republic of)
Iraq
Ireland
Italy
Jamaica
Japan
Libyan Arab Jamahiriya
Madagascar
Malaysia
Mexico
Morocco
Myanmar
Nepal
Netherlands
Nigeria
Norway
Pakistan
Paraguay
Peru
Philippines
Poland
Portugal
Republic of Korea
Romania
Russian Federation
Slovakia
Spain
Sri Lanka
Switzerland
Thailand
Trinidad and Tobago
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United States of America
Uruguay
Zambia

2. The following other States members of UNCTAD were represented as observers at the session:

Angola
Central African Republic
Costa Rica
Dominica
Ecuador
Guatemala
Holy See
Mongolia
Qatar
United Republic of Tanzania
Venezuela

1/ For the list of participants, see TD/B/CN.2/INF.2.

3. The United Nations Centre for Human Settlements;
United Nations Development Programme;
World Food Programme;
United Nations Population Fund were represented at the session.

4. The following specialized agencies were represented at the session:

International Labour Organisation
Food and Agriculture Organization of the United Nations
United Nations Educational, Scientific and Cultural Organization
World Health Organization
International Monetary Fund

5. The following intergovernmental organizations were represented at the session:

Afro-Asian Rural Reconstruction Organization
European Community
International Organization for Migration
Islamic Development Bank
Organization of African Unity

6. The following non-governmental organizations were represented at the session:

General Category

International Alliance of Women
International Association of Agricultural Economists
Society for International Development
World Assembly of Small and Medium Enterprises
World Confederation of Labour
World Federation of Trade Unions
World Federation of United Nations Associations

Special Category

Environmental Development Action in the Third World

7. The following panellist participated in the session:

Mrs. S. Collas-Monsod, Professor of Economics, University of the Philippines

Annex IV

CHECKLIST OF DOCUMENTS

Symbol	Title	Agenda item
TD/B/CN.2/6	Provisional agenda and annotations to the provisional agenda: Note by the UNCTAD secretariat	2
TD/B/CN.2/7	Report of the Workshop on Social Mobilization and Organization of the Poor	5
TD/B/CN.2/8 TD/B/CN.2/GE.1/3	Report of the Intergovernmental Group of Experts on Poverty Alleviation on its session	3
TD/B/CN.2/9	Survey of replies to the questionnaire on poverty alleviation: Report by the UNCTAD secretariat	3
TD/B/CN.2/10	Effects on poverty alleviation of structural adjustment programmes, job creation policies and means for the participation of small-scale and micro-enterprises in international trade: Issues note by the UNCTAD secretariat	4
TD/B/CN.2/GE.1/2	Exchange of experiences on poverty reduction impacts of social funds and safety nets, including mobilization of domestic and external resources for poverty alleviation: Issues note prepared by the UNCTAD secretariat	3
UNCTAD/PA/2	Recent developments in social funds and safety nets: Background note by the UNCTAD secretariat	3
UNCTAD/PA/3	Mobilization of domestic resources for poverty alleviation: Background note by the UNCTAD secretariat	3

Symbol	Title	Agenda item
UNCTAD/PA/4	Mobilization of external resources for poverty alleviation: Background note by the UNCTAD secretariat	3
UNCTAD/PA/5	Social mobilization and organization of the poor: Background note by the UNCTAD secretariat	
UNCTAD/PA/6	The role of small and micro-enterprises in poverty alleviation through participation in international trade: Background note by the UNCTAD secretariat	4
UNCTAD/PA/7	Structural adjustment and poverty alleviation: Study prepared by T. Killick, Consultant	4
UNCTAD/PA/8	The effects on poverty alleviation of structural adjustment programmes: Background note by the UNCTAD secretariat	4
TD/B/CN.2/L.4 and Add.1	Draft report of the Standing Committee on Poverty Alleviation on its second session	9
TD/B/CN.2/L.5	Provisional agenda for the third session of the Standing Committee	7
TD/B/CN.2/L.6	Draft agreed conclusions of the Standing Committee on Poverty Alleviation	
TD/B/CN.2/L.7	Contribution to the Preparatory Committee of the World Summit for Social Development: Draft presented by the Chairman	6
TD/B/CN.2/L.8	Chairman's summary	
TD/B/CN.2/Misc.2 and Add.1	Provisional list of participants	

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